



DYNAMIC HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST DECEMBER, 1998

INTERIM RESULTS

The Board of Directors (the “Directors”) of Dynamic Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st December, 1998 together with comparative figures for the corresponding period in 1997 are as follows:

		Six months ended 31 st December,	
	Notes	1998 HK\$'000	1997 HK\$'000
Turnover	(1)	<u>27,448</u>	<u>33,697</u>
Operating (loss) profit			
Continuing operations before exceptional items		16,194	20,785
Exceptional items	(2)	<u>(156,935)</u>	<u>-</u>
		(140,741)	20,785
Share of results of an associated company		<u>311</u>	<u>856</u>
(Loss) Profit from ordinary activities before taxation		(140,430)	21,641
Taxation	(3)	<u>(58)</u>	<u>(109)</u>
(Loss) Profit attributable to shareholders		<u>(140,488)</u>	<u>21,532</u>
Distribution		<u>4,382</u>	<u>4,382</u>
(Loss) Earnings per share	(4)		
Basic		<u>(64.12) cents</u>	<u>9.92 cents</u>
Diluted		<u>N/A</u>	<u>9.88 cents</u>

Notes:

(1) Turnover

	Six months ended 31 st December,	
	1998	1997
	HK\$'000	HK\$'000
Turnover comprises:		
Rental income	26,603	32,299
Interest income	845	1,398
	<u>27,448</u>	<u>33,697</u>

(2) Exceptional items

	Six months ended 31 st December,	
	1998	1997
	HK\$'000	HK\$'000
Deficit arising on revaluation of investment properties in Hong Kong Provision for diminution in value of a property project in Beijing, the People's Republic of China (the "PRC")	(94,232)	-
	(48,909)	-
Project costs relating to investment in Shenzhen, the PRC written off	(13,794)	-
	<u>(156,935)</u>	<u>-</u>

(3) Taxation

	Six months ended 31 st December,	
	1998	1997
	HK\$'000	HK\$'000
Share of taxation of an associated company in the PRC	(58)	(109)

The Hong Kong Profits Tax charge in 1998 was relieved by approximately HK\$1,077,000 (1997: HK\$2,300,000) as a result of the utilization of tax losses brought forward from previous years.

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

(4) (Loss) Earnings per share

The calculation of basic (loss) earnings per share is based on the loss attributable to shareholders for the period of HK\$140,488,000 (1997: profit attributable to shareholders of HK\$21,532,000) and on the weighted average number of 219,103,681 (1997: 217,045,964) ordinary shares in issue throughout the period.

The share options had no dilution effect on the loss per share of 1998.

The calculation of diluted earnings per share of 1997 was based on the profit attributable to shareholders for the period of HK\$21,532,000 and 218,000,019 ordinary shares, issued and issuable, calculated on the assumptions that all the outstanding share options are exercised at fair value at the beginning of the period or the date of exercise, whichever is the later. The difference of 954,055 between the weighted average number of ordinary shares used in calculating basic and diluted earnings per share for 1997 is the weighted average number of shares issued at no consideration regarding the assumed or actual exercise of dilutive share options.

(5) Movement in reserve

Out of the resulting deficit arising on revaluation of investment property of HK\$100,000,000 during the period, an amount of HK\$5,768,000 has been charged to the investment property revaluation reserve and the remaining balance of HK\$94,232,000, being the excess of the deficit over the balance of the investment property revaluation reserve, has been charged to the profit and loss account.

INTERIM DISTRIBUTION

In view of the operating profit from continuing operations before exceptional items, the Directors have declared an interim distribution of 2 Hong Kong cents (1997: 2 Hong Kong cents) per share for the six months ended 31st December, 1998 to all shareholders whose names appear on the register of members of the Company on 23rd April, 1999. The warrants for such distribution are expected to be despatched to those entitled on or about 7th May, 1999.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19th April, 1999 to Friday, 23rd April, 1999, 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 1601 Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration not later than 4:00 p.m. on Friday, 16th April, 1999.

BUSINESS REVIEW AND PROSPECTS

For the six months ended 31st December, 1998, the Group recorded a turnover of about HK\$27,448,000 and an operating profit of HK\$16,194,000 from continuing operations before exceptional items. These results are mainly attributable to the rental income generated from the Group's interests in Dynamic Cargo Centre in Tsuen Wan. Such turnover and operating profit represent decreases of about 19% and 22% respectively as compared to the previous corresponding period. In addition, an exceptional provision of HK\$156,935,000 was made for the period to account for the revaluation deficit of investment properties, diminution in value of a property project and project costs being written off. Consequently, a loss of HK\$140,488,000 was incurred for the period as compared with the profit of HK\$21,532,000 for the previous corresponding period.

During the period under review, a decrease in import/export activities together with an increase in the supply of warehouse spaces in Hong Kong has eroded rental income. Rental from the Group's Dynamic Cargo Centre dropped by about 18% in the second half of 1998. It is expected that further erosion of rental will take place in line with the Group's efforts to maintain a high level of occupancy which is at present in excess of 85%.

The first residential block of Chaoyang Garden in Beijing has been virtually pre-sold apart from a few isolated units. Pre-sales of the second block have slowed down due to a rapid increase in competition during the second half of 1998. This has brought about a downward revaluation of the land for which an appropriate provision has been made. However, the overall supply of high-quality residential units in Beijing has now reached its peak. With the gradual economic recovery in the region and the continuous improvements in infrastructure in Beijing City, the existing vacancy of high-quality homes is expected to ease back to normal in about two years. Occupation of the first residential block of Chaoyang Garden will

take place in the third quarter of 1999.

The Group's small-scale joint venture cargo handling operation at Tung Kok Tau, Shenzhen, PRC remains profitable. However, in view of the current economic and market conditions, the proposed development project on the land occupied by the joint venture has been accordingly postponed. In the meantime, the Group will continue to seek alternate use of the land to enhance its value.

In the light of the foregoing, the Directors have deemed it prudent to make appropriate provisions in respect of the diminution of values of the Group's assets. An aggregate provision of HK\$156,935,000 has accordingly been made. However, notwithstanding this exceptional provision, the Group continues to maintain a healthy, liquid position with rental from Dynamic Cargo Centre, proceeds of sales from Chaoyang Garden and unutilized credit facilities.

YEAR 2000 COMPLIANCE

The Group targets to be Year 2000 ("Y2K") compliant despite its insignificant impact on the Group's business and operations. Measures of problem identification and program modification are progressing whereby the software/hardware upgrading and replacement are scheduled to be implemented soon, to be followed by product testing and contingency planning. The Group has finished about 50% of measures against Y2K problems, and plans to complete conversion of the affected systems by June 1999. As all the major critical business and operational systems of the Group have not been or will not be greatly affected by Y2K problems, the Directors have neither authorised nor contracted for the modification costs therefor.

APPOINTMENT OF EXECUTIVE DIRECTOR

The Directors are pleased to announce that Mr. Cheung Chi Ming has been appointed Executive Director of the Company with effect from 27th March, 1999.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

By Order of the Board
Polly O. Y. Wong
Secretary

Hong Kong, 27th March, 1999