



DYNAMIC HOLDINGS LIMITED

達力集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 029)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2004

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, 2004 together with comparative figures for the corresponding period in 2003 are as follows:

Condensed Consolidated Income Statement

	Notes	Unaudited	
		Six months ended 31st December, 2004	2003
		HKS'000	HKS'000
Turnover	2	82,876	197,184
Cost of sales		(59,074)	(163,661)
Gross profit		23,802	33,523
Other operating income	3	2,268	1,657
Administrative expenses		(11,195)	(13,130)
Profit from operations		14,875	22,050
Finance costs	5	(71)	(573)
Profit before taxation		14,804	21,477
Taxation	6	(1,708)	(1,931)
Profit for the period		13,096	19,546
Minority interests		(1,018)	(1,144)
Net profit for the period		12,078	18,402
Dividend	7	4,382	4,382
Basic earnings per share (Hong Kong cents)	8	5.51	8.40

Condensed Consolidated Balance Sheet

	Unaudited		Audited	
	At 31st December, 2004	2004	At 30th June, 2004	2004
	HKS'000	HKS'000	HKS'000	HKS'000
Non-current Assets				
Property, plant and equipment	13,574	13,541		
Investment properties	420,000	420,000		
Properties held for development	202,271	200,195		
Goodwill	161	161		
Loan receivables — due after one year	11,304	14,729		
	647,310	648,626		
Current Assets				
Properties under development	199,171	138,079		
Properties held for sale	161,824	202,420		
Loan receivables — due within one year	8,503	10,550		
Trade and other receivables	26,390	24,330		
Amounts due from minority shareholders	4,973	4,922		
Tax recoverable	11,792	7,727		
Bank deposits — pledged	23,559	21,488		
Bank balances and cash	86,179	119,734		
	522,391	529,250		
Current Liabilities				
Trade and other payables	92,314	90,944		
Pre-sale deposits received	18,408	32,430		
Tax liabilities	692	340		
Bank loans — due within one year	27,936	24,937		
	139,350	148,651		
Net Current Assets		383,041		380,599
Total Assets less Current Liabilities		1,030,351		1,029,225
Capital and Reserves				
Share capital	219,104	219,104		
Reserves	537,992	530,296		
	757,096	749,400		
Minority Interests		29,164		28,146
Non-current Liabilities				
Bank loans — due after one year	129,918	140,636		
Other payable — due after one year	493	493		
Loan from a related company	104,379	102,595		
Deferred tax liabilities	9,301	7,955		
	244,091	251,679		
	1,030,351	1,029,225		

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 (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Statement of Standard Accounting Practice No. 25 "interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted are consistent with those adopted in the annual financial statements of the Group for the year ended 30th June, 2004. These condensed consolidated financial statements of the Group for the six months ended 31st December, 2004 are unaudited and have been reviewed by the Audit Committee of the Company.

2. 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	
			Unaudited					
	2004	2003	Six months ended 31st December, 2004	2003	2004	2003	2004	2003
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
TURNOVER								
External sales	59,308	176,034	14,733	13,375	8,835	7,775	82,876	197,184
SEGMENT RESULT	3,932	12,932	13,461	12,258	2,740	1,241	20,133	26,431
Unallocated other operating income							—	1,037
Unallocated corporate expenses							(5,258)	(5,418)
Profit from operations							14,875	22,050
Finance costs							(71)	(573)
Profit before taxation							14,804	21,477
Taxation							(1,708)	(1,931)
Profit for the period							13,096	19,546
Minority interests							(1,018)	(1,144)
Net profit for the period							12,078	18,402

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	
	Unaudited			
	2004	2003	Six months ended 31st December, 2004	2003
	HKS'000	HKS'000	HKS'000	HKS'000
Hong Kong Special Administrative Region ("Hong Kong")	14,733	13,375	13,461	12,258
Other regions in the People's Republic of China ("PRC")	68,143	183,809	6,672	14,173
	82,876	197,184	20,133	26,431
Unallocated other operating income				1,037
Unallocated corporate expenses				(5,258)
Profit from operations			14,875	22,050

3. Other operating income

	Unaudited	2003
	Six months ended 31st December, 2004	2003
	HKS'000	HKS'000
Bank interest income	1,041	376
Bad debt recovered	—	1,027
Sundry income	1,227	254
	2,268	1,657

4. Depreciation and amortization

	Unaudited	2003
	Six months ended 31st December, 2004	2003
	HKS'000	HKS'000
Profit from operations has been arrived at after charging:		
Amortization of goodwill (included in administrative expenses)	—	571
Depreciation	805	749
Less: Amount capitalised and included in properties under development	(210)	(251)
	595	498

5. Finance costs

	Unaudited	2003
	Six months ended 31st December, 2004	2003
	HKS'000	HKS'000
Interest on bank borrowings wholly repayable within five years	1,199	2,599
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of 4.7% (2003: 4.0%) to expenditure on qualifying assets	(1,128)	(2,026)
Interest on loan from a related company wholly repayable within five years	2,076	—
Less: Amount capitalised and included in properties held for development by applying a capitalisation rate of 3.9% (2003: Nil) to expenditure on qualifying assets	(2,076)	—
	71	573

6. Taxation

	Unaudited	2003
	Six months ended 31st December, 2004	2003
	HKS'000	HKS'000
The tax charge comprises:		
Hong Kong Profits Tax		
Overprovision in prior years	(4)	—
PRC Income Tax		
Current period	2,363	3,838
Overprovision in prior years	(1,997)	(3,237)
Deferred Tax		
Current period	1,346	1,330
	1,708	1,931

No Hong Kong Profits Tax is provided as there is no estimated assessable profit for 2004 and 2003.

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

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

7. Dividend

On 14th January, 2005, a final dividend of 2 Hong Kong cents (2003: 2 Hong Kong cents) per share was paid to the Company's shareholders as a final dividend for the year ended 30th June, 2004.

The Directors have declared an interim dividend of 2 Hong Kong cents (2003: 2 Hong Kong cents) per share for the six months ended 31st December, 2004 to all shareholders whose names appear on the register of members of the Company on 22nd April, 2005.

8. Basic earnings per share

The calculation of basic earnings per share is based on net profit of HK\$12,078,000 (2003: HK\$18,402,000) for the period and on 219,103,681 (2003: 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.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 2 Hong Kong cents (2003: 2 Hong Kong cents) per share for the six months ended 31st December, 2004 to all shareholders whose names appear on the register of members of the Company on 22nd April, 2005. The dividend warrants are expected to be despatched to those entitled on or about 6th May, 2005.

RESULTS REVIEW

For the six months ended 31st December, 2004, the Group recorded a turnover of HK\$82,876,000, compared to HK\$197,184,000 for the last corresponding period. This decrease was attributable to the drop of revenue (by about HK\$116,726,000) from property sales of Chaoyang Garden in Beijing, as most of the residential units in its first and second phases has been sold and the result thereof having been reflected in the last financial year.

The Group's gross profit for the period amounted to HK\$23,802,000 and profit from operations was HK\$14,875,000, showing a decrease of 29% and 33% respectively as compared to those of the last corresponding period.

The net profit for the period was HK\$12,078,000 showing the earnings per share of 5.51 Hong Kong cents, representing a fall of 34% as against the last corresponding period.

BUSINESS REVIEW

Chaoyang Garden/The Sun Crest

In Beijing, the high-end property market remained robust during the period under review. Chaoyang Garden recorded another HK\$59,308,000 in sales representing most of the remaining units of Phase II. With little that was left from Phase II and with the final phase only now coming on stream, the Group's overall sales during the period dropped about 66% as compared to the last corresponding period.

Pre-sales of Phase III started earlier this month and public response was encouraging.

Dynamic Cargo Center

In the period under review, occupancy of Dynamic Cargo Center reached around 95% and rental income showed an increase of about 10%. In general, the Group's cargo center has regained its leasing level of 2001–2002.

Tung Kok Tau

A continued growth in demand for logistics support has brought about an increase of income from port operations in Tung Kok Tau, Shekou of about 14% with the operating profits showing a significant increase of about 121%.

FINANCIAL REVIEW

The financial position of the Group remains sound and liquid. At 31st December, 2004, the total shareholders' fund of the Group amounted to HK\$757,096,000 (30th June, 2004: HK\$749,400,000) with net asset value per share of HK\$3.46 (30th June, 2004: HK\$3.42). Total borrowings of the Group, both secured and unsecured, were about HK\$262,233,000 (30th June, 2004: HK\$268,168,000) as at 31st December, 2004, which were in Hong Kong and United States dollars and repayable within two years at average interest rate of about 2.7% (30th June, 2004: 2.2%) per annum. As at 31st December, 2004, the gearing ratio of the Group was about 23% (30th June, 2004: 20%) based on the Group's net debt (after deducting bank balances and cash) to its shareholders' equity. The extent of credit facilities utilised by the Group as at 31st December, 2004 amounted to HK\$89,435,000 (30th June, 2004: HK\$86,306,000), of which HK\$15,000,000 (30th June, 2004: HK\$9,500,000) was banking facilities and HK\$74,435,000 (30th June, 2004: HK\$76,806,000) was a credit facility provided by a related company.

As at 31st December, 2004, the Group pledged certain of its assets (including investment properties with an aggregate carrying value of HK\$420,000,000) to financial institutions as security against general banking facilities granted to the Group, and also pledged its bank deposits of HK\$23,559,000 (30th June, 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\$172,854,000 (30th June, 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 31st December, 2004, the Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of HK\$708,299,000 (30th June, 2004: HK\$704,060,000) and HK\$38,873,000 (30th June, 2004: HK\$39,000,000) respectively.

In the period, sufficient cashflow was generated by sales proceeds of Chaoyang Garden/The Sun Crest, rental income of Dynamic Cargo Center and revenue of port operations. As at 31st December, 2004, the Group's bank balances and cash stood at HK\$86,179,000 (30th June, 2004: HK\$119,734,000) denominated primarily in Renminbi yuan. No significant exposure to foreign currency fluctuations affected the Group in the period under review. 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 deem expedient.

EMPLOYEES

At 31st December, 2004, the Group had about 160 employees in Hong Kong and the Mainland at prevailing market remunerations with employee benefits such as medical insurance, provident fund schemes and share option scheme.

PROSPECTS

In Beijing, the tightening of control over new development has eased competition and demands for residential and commercial units remain strong. The Group expects that the sales of phase three will be on target.

In Hong Kong, the warehousing sector is experiencing a revival of demand due to growth in re-export trade and shortage of new warehousing development. It is expected that rental will continue to follow a steady upward trend.

Shenzhen official re-planning of the Western Corridor Coastal area involving the Group's site has been delayed. In the meantime, talks with the Chinese joint venture partner are continuing.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18th April, 2005 to Friday, 22nd April, 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, 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 Friday, 15th April, 2005.

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

During the period, 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 six months ended 31st December, 2004 with the Code of Best Practice as set out in the old Appendix 14 to the Listing Rules.

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 period.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting practices and principles adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of these unaudited interim results for the six months ended 31st December, 2004.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by the Listing Rules will be published on the Stock Exchange's website and the Group's website www.dynamic.hk in due course. Printed copies will be sent to shareholders before the end of March 2005.

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

Hong Kong, 18th March, 2005

As at the date of this announcement, the Directors of the Company comprises Mr. Chua Domingo, Mr. Pang Kit Man, John, Mr. Tanenglian Mariano Chua, Mr. Tan Lucio Jr. Kiao 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.