



DYNAMIC HOLDINGS LIMITED

達力集團有限公司*

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30TH JUNE, 2002

RESULTS

The Board of Directors of Dynamic Holdings Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30th June, 2002 together with comparative figures for the previous year are as follows:

	Notes	Year ended 30th June,	
		2002	2001
		HK\$'000	HK\$'000
Turnover	2	50,567	294,593
Cost of sales		(13,331)	(241,686)
Gross profit		37,236	52,907
Other operating income	4	7,593	5,131
Reversal of impairment in value of properties under development		3,364	12,447
Administrative expenses		(22,755)	(29,732)
Other operating expenses of pre-development project		(8,129)	—
Deficit arising on revaluation of investment properties		(60,000)	—
(Loss) Profit from operations		(42,691)	40,753
Finance costs	6	(1,550)	(10,397)
(Loss) Profit before taxation		(44,241)	30,356
Taxation	7	(1,928)	(8,739)
(Loss) Profit for the year		(46,169)	21,617
Minority interests		(1,428)	(556)
Net (loss) profit for the year		(47,597)	21,061
Distributions		8,764	8,764
(Loss) Earnings per share (Hong Kong cents)	8		
— basic		(21.7)	9.6

Notes:

1. Adoption of statements of standard accounting practice

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these standards has led to a number of changes in the Group's accounting policies. In addition, the new and revised standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative disclosures for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised standards has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

Distributions proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", distributions proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. The effect of this change has been to increase shareholders' funds on 1st July, 2000 and 1st July, 2001 by HK\$4,382,000 respectively. Comparative information has been restated to reflect this change in accounting policy.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 30th June, 2001 have been amended so that they are presented on a consistent basis.

Negative goodwill

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate negative goodwill arising on consolidation previously credited to reserves. Accordingly, negative goodwill arising on consolidation at the date of acquisition prior to 1st July, 2001 will be credited to income at the time of disposal of the relevant subsidiary and associate.

Negative goodwill arising on consolidation at the date of acquisition after 1st July, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

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	
	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	10,919	254,909	28,975	30,433	10,673	9,251	50,567	294,593
SEGMENT RESULT	5,613	26,428	(33,404)	27,082	3,039	1,431	(24,752)	54,941
Unallocated other operating income							3,637	152
Unallocated corporate expenses							(21,576)	(14,340)
(Loss) Profit from operations							(42,691)	40,753
Finance costs							(1,550)	(10,397)
(Loss) Profit before taxation							(44,241)	30,356
Taxation							(1,928)	(8,739)
(Loss) Profit for the year							(46,169)	21,617
Minority interests							(1,428)	(556)
Net (loss) profit for the year							(47,597)	21,061

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		(Loss) Profit from operations	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Special Administrative Region ("Hong Kong")	28,975	30,433	(41,533)	27,082
Other regions in the People's Republic of China ("PRC")	21,592	264,160	8,652	27,859
	50,567	294,593	(32,881)	54,941
Unallocated other operating income			3,637	152
Unallocated corporate expenses			(13,447)	(14,340)
(Loss) Profit from operations			(42,691)	40,753

4. Other operating income

Other operating income includes interest income from bank deposits amounted to HK\$2,349,000 (2001: HK\$3,879,000).

5. Depreciation and amortization

	Year ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
(Loss) Profit from operations has been arrived at after charging (crediting):		
Amortisation of goodwill (included in administrative expenses)	1,141	1,141
Depreciation	1,498	1,650
Less: Amount capitalised and included in properties under development	(431)	(585)
	1,067	1,065

6. Finance costs

	Year ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	6,905	21,286
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of 5.3% (2001: 8.8%) to expenditure on qualifying assets	(5,355)	(10,889)
	1,550	10,397

7. Taxation

	Year ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax		
Current year	35	38
Overprovision in prior years	(33)	—
PRC Income Tax	1,926	8,701
	1,928	8,739

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the year.

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

8. (Loss) Earnings per share

The calculation of basic (loss) earnings per share is based on a loss for the year of HK\$47,597,000 (2001: a profit of HK\$21,061,000) and on the weighted average number of 219,103,681 (2001: 219,103,681) ordinary shares in issue throughout the year.

RESULTS REVIEW

For the year ended 30th June, 2002, the consolidated turnover of the Group totalled HK\$50,567,000, compared to HK\$294,593,000 for the previous year. The significant decrease in turnover is primarily due to reduced sales income (by about 96%) as the revenue from sales of Chaoyang Garden Phase II will fall into the ensuing financial year. This is consistent with the Group's accounting policy in recording sales and profit only on issuance of occupation permits.

During the year under review, the Group recorded a net loss of HK\$47,597,000, as compared with a net profit of HK\$21,061,000 for the previous year. This is due to an additional provision of HK\$60,000,000 on revaluation of the Group's cargo center in view of the current state of the depressed property market in Hong Kong. But for this provision, the Group would have achieved a net profit of HK\$12,403,000 for the year.

BUSINESS REVIEW

Chaoyang Garden/The Sun Crest

Phase II of Chaoyang Garden (The Sun Crest) is made up of four residential towers. Of the first two towers, approximately 65% has been sold and delivering thereof is scheduled to start towards the end of November 2002.

Construction of the remaining two towers of Phase II is progressing smoothly and sale thereof has started. Completion is scheduled to be around the end of next year.

Dynamic Cargo Centre

During the year under review, the leasing of warehousing spaces in Dynamic Cargo Center achieved a high level of occupancy and became the major contributor of revenue for the Group. Lease renewals have been made generally on existing term.

Tung Kok Tau

The port operations contributed steady revenue and operating profits to the Group during the year.

However, the prolonged dispute with the Chinese party over the control of the re-development of the site remains unsettled.

FINANCIAL REVIEW

The financial position of the Group remains strong and liquid. At 30th June, 2002, the total shareholders' fund of the Group amounted to HK\$742,772,000 (2001: HK\$799,163,000) with net asset value per share of HK\$3.39 (2001: HK\$3.65, restated). Total bank borrowings of the Group were about HK\$186,097,000 (2001: HK\$187,147,000) as at 30th June, 2002, which were in Hong Kong dollars and repayable within two years at average interest rate of about 3.6% per annum. The debt-to-equity ratio of the Group at 30th June, 2002 is about 25% (2001: 23%, restated). As at 30th June, 2002, the Group pledged certain of its assets (including investment properties with an aggregate carrying value of HK\$460,000,000) to financial institutions 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\$194,100,000 (2001: HK\$209,647,000) and HK\$377,480,000 (2001: HK\$270,309,000).

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 operation. As at 30th June, 2002, the Group's cash and bank balance stood at HK\$90,657,000 (2001: HK\$168,751,000) denominated primarily in Hong Kong dollars and Renminbi yuans. 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, 2002, the Group had about 190 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

During the year, sales of Chaoyang Garden Phase II in Beijing have been satisfactory judging from its take-up rates. However, the merging of the two-tier market (domestic sales units and overseas sales units) in September this year has placed Chaoyang Garden (exclusively overseas sales project) at a disadvantage vis-à-vis domestic sales products. In the short term, sales have slowed down. However, in the longer term, the Group's established brand name and quality image together with cost cutting measures would maintain Chaoyang Garden's competitive position.

Plans for Phase III (the final phase), a commercial / residential tower, have been submitted to the relevant authorities for approval.

In Hong Kong, every effort will be made to maintain high occupancy and market rent rates for the Group's cargo center, which has enjoyed a reputation of excellent management and safety over the years. However, in the light of low-cost competition from across the border, a continued downward pressure on rental is to be expected.

Although the dispute with the Chinese party on the Tung Kok Tau issue still remains unsettled, the Group's 80% shareholding of the joint venture has been recently reconfirmed by the Administration for Industry and Commerce in Shenzhen. At the same time the city's leadership has started to play an active part in attempting to resolve the differences between the two parties. Every effort will be made to avoid having to go for arbitration under the agreements, which both parties consider as the last resort.

DISTRIBUTIONS

Taking account of the operating profit before revaluation deficit, the Directors recommend payment of a final distribution of 2 Hong Kong cents (2001: 2 Hong Kong cents) per share to all shareholders whose names appear on the register of members of the Company on 20th December, 2002. Together with the interim distribution of 2 Hong Kong cents per share paid, the total distributions for the year ended 30th June, 2002 will be 4 Hong Kong cents (2001: 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 distribution are expected to be despatched to those entitled on or about 17th January, 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16th December, 2002 to Friday, 20th December, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final distribution, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Tengis Limited of 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration not later than 4:00 p.m. on Friday, 13th December, 2002.

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 year.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed announcement of the results of the Group for the year containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of 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, 22nd October, 2002

* For identification purpose only

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of DYNAMIC HOLDINGS LIMITED (the "Company") will be held at Dragon Room, Basement 1, The Charterhouse, 209-219 Wanchai Road, Wanchai, Hong Kong Special Administrative Region ("Hong Kong") on Friday, 20th December, 2002 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the Directors and Auditors for the year ended 30th June, 2002.
2. To declare a final distribution.
3. To re-elect Directors and fix their remuneration.
4. To re-appoint Auditors and authorise the Directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

(A) "THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or grant shares of the Company or securities convertible into such shares, options, warrants or similar rights to subscribe for any shares of the Company or such convertible securities, and to make or grant offers, agreements or options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements or options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval given in paragraph (a) above, otherwise than pursuant to the exercise of any options granted under any share option scheme adopted by the Company or any offer of any class of securities of the Company made pro rata (apart from fractional entitlements) by the Company to holders of such class of securities (excluding any holder who is resident in a place where such offer is not permitted under the law of that place), shall not exceed 20 percent of the aggregate nominal amount of the issued share capital of the Company at the date of passing this resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Company's Bye-Laws to be held; and
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the members of the Company in general meeting."

(B) "THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own securities, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares which the Company is authorised to purchase pursuant to paragraph (a) above during the Relevant Period shall not exceed 10 percent of the aggregate nominal amount of the issued share capital of the Company at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Company's Bye-Laws to be held; and
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the members of the Company in general meeting."

(C) "THAT:

conditional upon the resolutions nos. 5(A) and 5(B) as set out in the notice convening this meeting having been passed as ordinary resolutions, the aggregate nominal amount of shares in the capital of the Company which shall have been purchased by the Company pursuant to and in accordance with the resolution no. 5(B) aforesaid shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to and in accordance with the resolution no. 5(A) aforesaid."

By Order of the Board
Wong Oi Yee, Polly
Company Secretary

Hong Kong, 22nd October, 2002

Notes:

1. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy, together with power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited at the principal place of business of the Company at 1702, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong not less than 48 hours before the time appointed for the above meeting or any adjournment thereof.
3. The register of members of the Company will be closed from Monday, 16th December, 2002 to Friday, 20th December, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final distribution, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration not later than 4:00 p.m. on Friday, 13th December, 2002.
4. With respect to resolutions nos. 5(A), 5(B) and 5(C) of this notice, a circular containing further details of explanatory statement will be sent to members together with the Company's 2002 Annual Report.