



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, 2003

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, 2003 together with comparative figures for the previous year are as follows:

		Year ended 30th June,	
		2003	2002
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	294,752	50,567
Cost of sales		<u>(218,402)</u>	<u>(13,331)</u>
Gross profit		76,350	37,236
Other operating income	4	9,254	7,593
Reversal of impairment in value of properties under development		—	3,364
Administrative expenses		(30,876)	(22,755)
Other operating expenses of pre-development project		(3,216)	(8,129)
Deficit arising on revaluation of investment properties		<u>(40,000)</u>	<u>(60,000)</u>
Profit (loss) from operations		11,512	(42,691)
Finance costs	6	<u>(1,270)</u>	<u>(1,550)</u>
Profit (loss) before taxation		10,242	(44,241)
Taxation	7	<u>(12,669)</u>	<u>(1,928)</u>
Loss for the year		(2,427)	(46,169)
Minority interests		<u>41</u>	<u>(1,428)</u>
Net loss for the year		<u><u>(2,386)</u></u>	<u><u>(47,597)</u></u>
Distributions		<u><u>8,764</u></u>	<u><u>8,764</u></u>
Loss per share (<i>Hong Kong cents</i>)	8	<u><u>(1.1)</u></u>	<u><u>(21.7)</u></u>

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. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

The revisions to SSAP 11 (Revised) “Foreign currency translation” have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the year. They are now required to be translated at an average rate. This change in accounting policy has not had any significant effect on the results for the current or prior accounting periods.

Cash flow statements

The Group has adopted SSAP 15 (Revised) “Cash flow statements”. Under SSAP 15 (Revised), cash flows are classified under three headings — operating, investing and financing, rather than the previous five headings. Interest and cash distributions, which were previously presented under a separate heading, are classified on a consistent basis under either operating or financing activities. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

Employee benefits

The Group has also adopted SSAP 34 “Employee benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

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	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER								
External sales	<u>252,343</u>	<u>10,919</u>	<u>26,857</u>	<u>28,975</u>	<u>15,552</u>	<u>10,673</u>	<u>294,752</u>	<u>50,567</u>
SEGMENT RESULT	<u>33,719</u>	<u>5,613</u>	<u>(16,560)</u>	<u>(33,404)</u>	<u>2,602</u>	<u>3,039</u>	<u>19,761</u>	<u>(24,752)</u>
Unallocated other operating income							5,584	3,637
Unallocated corporate expenses							<u>(13,833)</u>	<u>(21,576)</u>
Profit (loss) from operations							11,512	(42,691)
Finance costs							<u>(1,270)</u>	<u>(1,550)</u>
Profit (loss) before taxation							10,242	(44,241)
Taxation							<u>(12,669)</u>	<u>(1,928)</u>
Loss for the year							(2,427)	(46,169)
Minority interests							<u>41</u>	<u>(1,428)</u>
Net loss for the year							<u>(2,386)</u>	<u>(47,597)</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 (loss) from operations	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Special Administrative Region ("Hong Kong")	26,857	28,975	(16,560)	(33,404)
Other regions in the People's Republic of China ("PRC")	<u>267,895</u>	<u>21,592</u>	<u>36,321</u>	<u>8,652</u>
	<u>294,752</u>	<u>50,567</u>	<u>19,761</u>	<u>(24,752)</u>
Unallocated other operating income			5,584	3,637
Unallocated corporate expenses			<u>(13,833)</u>	<u>(21,576)</u>
Profit (loss) from operations			<u>11,512</u>	<u>(42,691)</u>

4. Other operating income

	Year ended 30th June, 2003 HK\$'000	2002 HK\$'000
Bank interest income	709	2,349
Gain on disposal of property, plant and equipment	—	120
Gain on disposal of associates	2,082	—
Gain on dissolution of subsidiary	3,475	—
Sundry income	2,988	5,124
	<u>9,254</u>	<u>7,593</u>

5. Depreciation and amortization

	Year ended 30th June, 2003 HK\$'000	2002 HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Amortisation of goodwill (included in administrative expenses)	1,141	1,141
Auditors' remuneration	564	538
Depreciation	1,491	1,498
Less: Amount capitalised and included in properties under development	(464)	(431)
	<u>1,027</u>	<u>1,067</u>

6. Finance costs

	Year ended 30th June, 2003 HK\$'000	2002 HK\$'000
Interest on bank borrowings wholly repayable within five years	5,730	6,905
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of 4.4% (2002: 5.3%) to expenditure on qualifying assets	(4,460)	(5,355)
	<u>1,270</u>	<u>1,550</u>

7. Taxation

	Year ended 30th June, 2003 HK\$'000	2002 HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax		
Current year	37	35
Overprovision in prior years	(1)	(33)
PRC Income Tax	12,633	1,926
	<u>12,669</u>	<u>1,928</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 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 per share

The calculation of loss per share is based on net loss for the year of HK\$2,386,000 (2002: HK\$47,597,000) and on 219,103,681 (2002: 219,103,681) ordinary shares in issue throughout the year.

RESULTS REVIEW

For the year ended 30th June, 2003, the Group's turnover amounted to HK\$294,752,000 representing a sharp increase of about 483% over that of last year. This is principally resultant from the booking of sales revenue (by about HK\$235,958,000) of the first two towers of Chaoyang Garden Phase II (The Sun Crest) in Beijing, following the issue of occupation permit in November 2002. The sales proceeds of Chaoyang Garden representing about 86% of the Group's turnover was the main income contributor of the Group for the year.

In the year under review, the gross profit of the Group increased to HK\$76,350,000, representing a substantial rise of about 105%. The operating profit of the Group was HK\$11,512,000 as against the operating loss of HK\$42,691,000 for the previous year. Again, these are primarily attributable to the booking of property sales as mentioned above.

However, a provision of HK\$40,000,000 was made in the year to take into account the deficit arising from revaluation of the Group's cargo centre in Hong Kong. As a result, the Group showed an overall loss of HK\$2,386,000 for the year, as compared with the loss of HK\$47,597,000 for the previous year.

BUSINESS REVIEW

Chaoyang Garden/The Sun Crest

During the year under review, the Group realised a total of HK\$252,343,000, from property sales of Chaoyang Garden principally arising from the first two towers of Phase II completed and delivered in November 2002. So far, about 70% of these two towers has been sold out.

The last two towers of Phase II have been put up for pre-sale last October. These two towers have been completed on schedule and will be delivered to buyers imminently. So far, about 50% of these two towers has already been taken up.

The development plans of Phase III, a single residential/commercial complex (the final phase) has been completed and officially approved; foundation works thereof have commenced in September 2003.

Dynamic Cargo Centre

In the year under review, the Group's cargo centre has been able to maintain a high level of occupancy of about 91% as at balance sheet date. However, the rental income has dropped by about 7% as compared with that of last year. Current lease renewals have shown signs that the downward rental movement is bottoming out.

Tung Kok Tau

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

Negotiations with the Chinese joint venture partner over the differences on the Group's overall control of the re-development of the site are continuing. On the basis of current progress, it is expected that these negotiations can be satisfactorily concluded by the end of this year.

FINANCIAL REVIEW

The financial position of the Group remains healthy and liquid. At 30th June, 2003, the total shareholders' fund of the Group amounted to HK\$728,459,000 (2002: HK\$742,772,000) with net asset value per share of HK\$3.32 (2002: HK\$3.39). Total bank borrowings of the Group were about HK\$190,000,000 (2002: HK\$186,097,000) as at 30th June, 2003, which were in Hong Kong dollars and repayable within about three years at average interest rate of about 2.1% per annum. The debt-to-equity ratio of the Group at 30th June, 2003 is about 26% (2002: 25%). As at 30th June, 2003, 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. The contingent liabilities of the Company and 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\$198,000,000 (2002: HK\$194,100,000) and HK\$488,322,000 (2002: HK\$377,480,000) respectively.

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, 2003, the Group's cash and bank balance stood at HK\$50,433,000 (2002: HK\$90,657,000) 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, 2003, the Group had about 220 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 impact of SARS has slowed down property sales in the second quarter. Sales momentum has recovered in the third quarter, and continues on a steady trend. Over-supply situation in the high-end residential sector has affected pricing. However, as the majority of the market is in the form of units under construction, the Group's completed Phase II has enjoyed a slight edge over competition. On the other hand, effective cost-saving measures taken by the Group have provided a cushion against price drop.

China's strong export growth along with CEPA will enhance the development of Hong Kong as a logistic hub within the Pearl River Delta. It is expected that this will bring about greater demand for warehousing space in Hong Kong.

Shenzhen is still enjoying rapid economic growth. With the commencement of construction of the new bridge forming the crucial link for the so-called Western Corridor, the Group's joint venture site at Tung Kok Tau has increased substantially in terms of redevelopment value and will become a significant source of the Group's future profits once the current disputes between the parties concerned have reached a satisfactory conclusion.

DISTRIBUTIONS

Taking account of the operating profit before revaluation deficit, the Directors recommend payment of a final distribution of 2 Hong Kong cents (2002: 2 Hong Kong cents) per share to all shareholders whose names appear on the register of members of the Company on 19th December, 2003. Together with the interim distribution of 2 Hong Kong cents per share paid, the total distributions for the year ended 30th June, 2003 will be 4 Hong Kong cents (2002: 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 16th January, 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15th December, 2003 to Friday, 19th December, 2003, 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 Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 12th December, 2003.

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, 24th October, 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of DYNAMIC HOLDINGS LIMITED (the “Company”) will be held at Unicorn Room, Basement 2, The Charterhouse, 209–219 Wanchai Road, Wanchai, Hong Kong Special Administrative Region (“Hong Kong”) on Friday, 19th December, 2003 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, 2003.
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 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.”

6. As special business, to consider and, if thought fit, pass the following resolution as a special resolution:

“THAT:

in Bye-Law 1 of the Bye-Laws of the Company, the definition of ‘Clearing House’ be and is hereby amended by deleting the words ‘within the meaning of Section 2 of the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong)’ and substituting therefor the words ‘as defined in Part I of Schedule 1 to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)’.”

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

Hong Kong, 24th October, 2003

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 17th Floor, 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 as the case may be.
3. The register of members of the Company will be closed from Monday, 15th December, 2003 to Friday, 19th December, 2003, 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 Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 12th December, 2003.
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 2003 Annual Report.
5. With respect to resolution no. 6 of this notice, approval is being sought from members of the Company for amendment to the Company's Bye-Law by virtue of enactment of the Securities and Futures Ordinance.

Please also refer to the published version of this announcement in the (The Standard)