



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, 2004

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, 2004 together with comparative figures for the previous year are as follows:

		Year ended 30th June,	
		2004	2003
	Notes	HK\$'000	HK\$'000
			(Restated)
Turnover	2	410,257	294,752
Cost of sales		<u>(336,839)</u>	<u>(218,402)</u>
Gross profit		73,418	76,350
Other operating income	4	3,035	9,254
Administrative expenses		(26,138)	(30,876)
Other operating expenses of pre-development project		(1,129)	(3,216)
Deficit arising on revaluation of investment properties		<u>—</u>	<u>(40,000)</u>
Profit from operations		49,186	11,512
Finance costs	6	<u>(1,966)</u>	<u>(1,270)</u>
Profit before taxation		47,220	10,242
Taxation	7	<u>(9,009)</u>	<u>(10,420)</u>
Profit (loss) for the year		38,211	(178)
Minority interests		<u>(2,756)</u>	<u>41</u>
Net profit (loss) for the year		<u><u>35,455</u></u>	<u><u>(137)</u></u>
Dividends/Distributions		<u><u>8,764</u></u>	<u><u>8,764</u></u>
Basic earnings (loss) per share (<i>Hong Kong cents</i>)	8	<u><u>16.2</u></u>	<u><u>(0.1)</u></u>

1. Adoption of Revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice (“SSAP”) 12 “Income taxes” (“SSAP 12 (Revised)”) issued by the Hong Kong Institute of Certified Public Accountants. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly.

As a result of this change in accounting policy, the Group’s retained profits has been decreased by HK\$7,999,000 at 1st July, 2002. The change has resulted in a decrease in the Group’s profit for the year of HK\$2,205,000 (2003: an increase in the Group’s profit of HK\$2,249,000).

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	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Restated)								
TURNOVER								
External sales	<u>365,209</u>	<u>252,343</u>	<u>27,221</u>	<u>26,857</u>	<u>17,827</u>	<u>15,552</u>	<u>410,257</u>	<u>294,752</u>
SEGMENT RESULT	<u>33,461</u>	<u>33,719</u>	<u>24,823</u>	<u>(16,560)</u>	<u>3,038</u>	<u>2,602</u>	<u>61,322</u>	<u>19,761</u>
Unallocated other operating income							1,039	5,584
Unallocated corporate expenses							<u>(13,175)</u>	<u>(13,833)</u>
Profit from operations							49,186	11,512
Finance costs							<u>(1,966)</u>	<u>(1,270)</u>
Profit before taxation							47,220	10,242
Taxation							<u>(9,009)</u>	<u>(10,420)</u>
Profit (loss) for the year							38,211	(178)
Minority interests							<u>(2,756)</u>	<u>41</u>
Net profit (loss) for the year							<u>35,455</u>	<u>(137)</u>
<i>Geographical segments</i>								

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	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Special Administrative Region ("Hong Kong")	27,221	26,857	24,823	(16,560)
Other regions in the People's Republic of China ("PRC")	<u>383,036</u>	<u>267,895</u>	<u>36,499</u>	<u>36,321</u>
	<u>410,257</u>	<u>294,752</u>	61,322	19,761
Unallocated other operating income			1,039	5,584
Unallocated corporate expenses			<u>(13,175)</u>	<u>(13,833)</u>
Profit from operations			<u>49,186</u>	<u>11,512</u>

4. Other operating income

	Year ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Bank interest income	1,079	709
Bad debt recovered	1,027	—
Gain on disposal of property, plant and equipment	32	—
Gain on disposal of associates	—	2,082
Gain on dissolution of subsidiary	—	3,475
Sundry income	897	2,988
	<u>3,035</u>	<u>9,254</u>

5. Depreciation and amortization

	Year ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of goodwill (included in administrative expenses)	1,141	1,141
Auditors' remuneration	681	601
Depreciation	1,577	1,491
Less: Amount capitalised and included in properties under development	<u>(17)</u>	<u>(464)</u>
	<u>1,560</u>	<u>1,027</u>

6. Finance costs

	Year ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	4,588	5,730
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of 4% (2003: 4.4%) to expenditure on qualifying assets	(2,622)	(4,460)
Interest on loan from a related company wholly repayable within five years	2,352	—
Less: Amount capitalised and included in properties held for development by applying a capitalisation rate of 3.3% (2003: Nil) to expenditure on qualifying assets	<u>(2,352)</u>	<u>—</u>
	<u>1,966</u>	<u>1,270</u>

7. Taxation

Year ended 30th June,
2004 2003
HK\$'000 HK\$'000
(Restated)

The tax charge comprises:

Hong Kong Profits Tax		
Current year	31	37
Overprovision in prior years	—	(1)
PRC Income Tax		
Current year	10,835	12,633
Overprovision in prior years	(4,062)	—
Deferred Tax		
Current year	2,205	(2,999)
Attributable to a change in tax rate	—	750
	<u>9,009</u>	<u>10,420</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the year.

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

8. Basic earnings (loss) per share

The calculation of basic earnings (loss) per share is based on net profit for the year of HK\$35,455,000 (2003: a net loss of HK\$137,000, restated) and on 219,103,681 (2003: 219,103,681) ordinary shares in issue throughout the year.

DIVIDENDS/DISTRIBUTIONS

The Directors recommend payment of a final dividend of 2 Hong Kong cents (2003: distribution — 2 Hong Kong cents) per share to all shareholders whose names appear on the register of members of the Company on 22nd December, 2004. Together with the interim dividend of 2 Hong Kong cents per share paid, the total dividends for the year ended 30th June, 2004 will be 4 Hong Kong cents (2003: distributions — 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 14th January, 2005.

RESULTS REVIEW

For the year ended 30th June, 2004, the Group's turnover amounted to HK\$410,257,000 representing a rise of about 39% over that of last year. This primarily results from the booking of sales proceeds (by about HK\$289,283,000) of the last two towers of Chaoyang Garden Phase II (The Sun Crest) in Beijing following the issue of occupation permit in October 2003. Sales revenue of Chaoyang Garden accounted for about 89% of the Group's turnover representing the major income contributor of the Group for the year. Other incomes of the Group were generated from rental of investment properties and from port operations.

In the year under review, the Group recorded a gross profit of HK\$73,418,000, showing a slight drop of about 4%. However, operating profit of the Group surged by about 327% to HK\$49,186,000 as compared with that of the previous year. The marked improvement is

principally attributable to the booking of profit from property sales as mentioned above, whilst no further provision of deficit arising from revaluation of the Group's investment properties in Hong Kong was deemed necessary for the year under review.

Group net profit after taxation amounted to HK\$35,455,000 for the year, as against the loss of HK\$137,000 for the previous year.

BUSINESS REVIEW

Chaoyang Garden/The Sun Crest

During the year under review, home sales in Beijing regained its momentum as a result of post-SARS economic revival in the latter part of 2003. Total property sale for the year amounted to HK\$365,209,000. However, an over-supply situation in the high-end residential sector in Beijing continued to exert pressure on price and profit.

Construction work of the final phase (Phase III), a multi-purpose residential/commercial complex, commenced in September 2003. Pre-sale of this phase is planned to be in the first quarter of 2005. The entire development is scheduled to be completed by the end of 2005.

Dynamic Cargo Centre

In the year under review, the Group's cargo center benefited from increases in demands for warehousing space in Hong Kong, due to the buoyancy of re-export and the implementation of CEPA. As a result, the Group's cargo center maintained a high level of occupancy of about 90% as at balance sheet date. A slight improvement in rental for new and renewed tenancies had helped to improve operating profit marginally.

Tung Kok Tau

In the year under review, the operating income and profit of the port operations in Tung Kok Tau increased by about 15% and 17% respectively.

In December 2003, the Group paid the balance land premium of about Rmb156,000,000 to secure an area of 171,788 square meters comprising the "red-line" zone of the Tung Kok Tau site having a total developable gross floor area (GFA) of 310,400 square meters. This payment was made necessary by the Central Government implementing strict policy of repossession of all unpaid lands and was funded ultimately by the controlling shareholder of the Company.

Negotiations with the Chinese joint venture partner on the Group's proposed acquisition of full control over the re-development project were on-going. However some further delays have become unavoidable due on one hand to new city planning proposals affecting the site, and on the other hand to the recent corporate restructuring of the Chinese joint venture partner and its controlling organization.

FINANCIAL REVIEW

The financial position of the Group remains sound and liquid. At 30th June, 2004, the total shareholders' fund of the Group amounted to HK\$749,400,000 (2003: HK\$722,709,000, restated) with net asset value per share of HK\$3.42 (2003: HK\$3.30, restated). Total borrowings of the Group, both secured and unsecured, were about HK\$268,168,000 (2003: HK\$190,000,000) as at 30th June, 2004, which were in Hong Kong and United States dollars and repayable within about

two years at average interest rate of about 2.2% per annum. As at 30th June, 2004, the gearing ratio of the Group was about 20% (2003: 19%, restated) 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, 2004 amounted to HK\$86,306,600, of which HK\$9,500,000 (2003: HK\$8,000,000) was banking facilities and HK\$76,806,600 (2003: Nil) was a credit facility provided by a related company. As at 30th June, 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\$21,488,000 (2003: HK\$16,713,000) 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\$175,073,000 (2003: HK\$198,000,000). 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, 2004, the Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of HK\$704,060,000 (2003: HK\$488,322,000) and HK\$39,000,000 (2003: HK\$15,597,000) 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, 2004, the Group's bank balances and cash stood at HK\$119,734,000 (2003: HK\$50,433,000) denominated primarily in 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, 2004, 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

In Beijing, new government policies to apply strict control over the supply of land for luxury residential projects have helped to ease competition. Sales of the remaining residential units will be on target. In the commercial sector, Beijing continues to experience an influx of small and medium corporations setting up offices there. It is anticipated that Chaoyang Garden Phase III, being specifically designed to meet such needs, will be well-received.

In Hong Kong, continued strong re-export associated with the free tariff arrangement on manufactured goods under CEPA will fuel demands for warehousing space. As most tenancies of the Group's cargo center have been renewed during the year, rental income for the coming year will remain stable.

The city of Shenzhen has made aggressive plans to turn the Shenzhen Bay Area into an up-market residential area with large parks and green belts. This, in conjunction with the completion of the so-called Western Corridor linking Hong Kong and Shekou in 2005 will transform the Group's Tung Kok Tau site into a prime project. Once negotiation with the Chinese joint venture partner

has completed, the Group anticipates to commence redevelopment of this site towards the end of 2005 or early 2006 when the Beijing project will come to a close thus allowing the greater part of funds and human resources to be timely re-deployed.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 16th December, 2004 to Wednesday, 22nd December, 2004, 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 Wednesday, 15th December, 2004.

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.

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 (in force prior to the amendments made on 31st March, 2004 and applicable to this announcement under the transitional arrangements) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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, 21st October, 2004

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 (**The Standard**)*