



# 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 31 DECEMBER 2007

#### 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 31 December 2007 together with comparative figures for the corresponding period in 2006 are as follows:

#### Condensed Consolidated Income Statement

		Unaudited Six months ended 31 December	
	Notes	2007 HK\$'000	2006 HK\$'000
Turnover	3	96,854	87,921
Cost of sales		(47,728)	(51,740)
Gross profit		49,126	36,181
Other income	5	29,263	16,066
Increase in fair value of investment properties		13,237	5,973
Administrative expenses		(27,327)	(28,271)
Finance costs	7	(10,318)	(8,234)
Profit before taxation		53,981	21,715
Taxation	8	(17,155)	(7,308)
Profit for the period		36,826	14,407
Attributable to:			
Equity holders of the Company		37,297	13,411
Minority interests		(471)	996
		36,826	14,407
Dividends	9	6,573	6,573
Basic earnings per share (HK cents)	10	17.02	6.12

## Condensed Consolidated Balance Sheet

		<b>Unaudited</b>	Audited
		<b>At 31</b>	At 30
		<b>December</b>	June
		<b>2007</b>	2007
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current Assets</b>			
Property, plant and equipment		<b>14,635</b>	13,431
Investment properties	<i>11</i>	<b>1,481,557</b>	1,410,772
Properties held for development		<b>243,147</b>	235,874
		<hr/> <b>1,739,339</b>	<hr/> 1,660,077
<b>Current Assets</b>			
Properties held for sale		<b>78,059</b>	113,737
Loan receivables – due within one year		<b>726</b>	2,954
Trade and other receivables	<i>12</i>	<b>59,332</b>	103,065
Amounts due from minority shareholders		<b>5,811</b>	5,945
Tax recoverable		<b>–</b>	83
Bank deposits – pledged		<b>50,077</b>	31,469
Bank balances and cash		<b>153,274</b>	93,425
		<hr/> <b>347,279</b>	<hr/> 350,678
<b>Current Liabilities</b>			
Trade and other payables	<i>13</i>	<b>88,408</b>	84,894
Pre-sale deposits received		<b>10,610</b>	8,927
Amount due to a related company – due within one year		<b>9,859</b>	9,811
Tax payable		<b>72,477</b>	67,576
Bank loans – due within one year		<b>33,300</b>	36,900
		<hr/> <b>214,654</b>	<hr/> 208,108
<b>Net Current Assets</b>		<hr/> <b>132,625</b>	<hr/> 142,570
<b>Total Assets less Current Liabilities</b>		<hr/> <b>1,871,964</b>	<hr/> <b>1,802,647</b>

	<b>Unaudited</b> <b>At 31</b> <b>December</b> <b>2007</b> <i>HK\$'000</i>	<b>Audited</b> <b>At 30</b> <b>June</b> <b>2007</b> <i>HK\$'000</i>
<b>Capital and Reserves</b>		
Share capital	219,104	219,104
Reserves	<u>1,169,035</u>	<u>1,079,746</u>
<b>Equity attributable to equity holders of the Company</b>	<b>1,388,139</b>	1,298,850
<b>Minority interests</b>	<b>44,482</b>	43,572
	<u>1,432,621</u>	<u>1,342,422</u>
<b>Non-current Liabilities</b>		
Bank loans – due after one year	334,300	351,300
Amount due to a related company – due after one year	9,181	18,364
Deferred tax liabilities	<u>95,862</u>	<u>90,561</u>
	<u>439,343</u>	<u>460,225</u>
	<u><b>1,871,964</b></u>	<u><b>1,802,647</b></u>

Notes:

## 1. Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated financial statements of the Group for the six months ended 31 December 2007 are unaudited and have been reviewed by the Audit Committee of the Company.

## 2. Principal accounting policies

These condensed consolidated financial statements have been prepared under the historical cost basis, except for investment properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2007.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations (“**new HKFRSs**”) issued by the HKICPA, which are effective for the Group’s accounting period beginning on or after 1 July 2007. The adoption of these new HKFRSs has had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standard, amendments and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new or revised standard, amendments or interpretations will have no material impact on the results and the financial position of the Group:

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK (IFRIC) – INT 12	Service Concession Arrangements <sup>2</sup>
HK (IFRIC) – INT 13	Customer Loyalty Programmes <sup>3</sup>
HK (IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2008.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008.

### 3. Turnover

Turnover represents the aggregate of gross proceeds from sales of properties and gross property rental income during the period.

### 4. Segment information

#### Business segments

For management purposes, the Group is currently organised into two operating divisions – property sales and property rental. 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

Segment information about these businesses is presented below:

	Property sales		Property rental		Consolidated	
			Unaudited			
	Six months ended 31 December					
	2007	2006	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>TURNOVER</b>						
External sales	<u>62,163</u>	<u>73,054</u>	<u>34,691</u>	<u>14,867</u>	<u>96,854</u>	<u>87,921</u>
<b>SEGMENT RESULT</b>	<u>13,601</u>	<u>12,718</u>	<u>41,035</u>	<u>16,785</u>	<u>54,636</u>	<u>29,503</u>
Unallocated other income					16,790	8,072
Unallocated corporate expenses					(7,127)	(7,626)
Finance costs					(10,318)	(8,234)
Profit before taxation					53,981	21,715
Taxation					(17,155)	(7,308)
Profit for the period					<u>36,826</u>	<u>14,407</u>

#### Geographical segments

For the six months ended 31 December 2007 and 31 December 2006, all operations of the Group in terms of both turnover and segment results were carried on in the People's Republic of China ("PRC") other than Hong Kong Special Administrative Region ("Hong Kong"). Accordingly, no geographical segment information is shown.

#### 5. Other income

	Unaudited	
	Six months ended	
	31 December	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Included in other income are:		
Bank interest income	759	1,318
Exchange gain, net	16,602	7,396
Gain in receivable for vendor's undertakings	7,706	–
Imputed interest income on loan receivables	42	190
Decrease in financial guarantee contacts	–	971
Sundry income	4,154	6,191
	<u>29,263</u>	<u>16,066</u>

## 6. Depreciation and amortisation

**Unaudited**  
**Six months ended**  
**31 December**  
**2007**                      **2006**  
**HK\$'000**                      **HK\$'000**

Profit before taxation has been arrived at after charging the following items:

Depreciation	<u>906</u>	<u>994</u>
Amortisation of prepaid lease payments	<u>1,665</u>	<u>1,574</u>

## 7. Finance costs

**Unaudited**  
**Six months ended**  
**31 December**  
**2007**                      **2006**  
**HK\$'000**                      **HK\$'000**

Interest on bank borrowings wholly repayable within five years	<u>9,749</u>	<u>7,564</u>
Imputed interest expense on amount due to a related company	<u>569</u>	<u>670</u>
	<u>10,318</u>	<u>8,234</u>

## 8. Taxation

**Unaudited**  
**Six months ended**  
**31 December**  
**2007**                      **2006**  
**HK\$'000**                      **HK\$'000**

The tax charge comprises:

Hong Kong Profits Tax		
Overprovision in prior years	–	52
Income tax elsewhere in the PRC		
Current period	<u>15,565</u>	<u>6,171</u>
Deferred tax liabilities		
Current period	<u>1,590</u>	<u>1,085</u>
	<u>17,155</u>	<u>7,308</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the period.

PRC Foreign Enterprise Income Tax (“FEIT”) and land appreciation tax (“LAT”) are calculated at the rates prevailing in the PRC. The statutory rate of the FEIT for the current period is 33% (2006: 33%). Pursuant to relevant laws and regulations in the PRC, the subsidiary of the Group that is qualified as productive foreign investment enterprises established in cities within the coastal economic zones and special economic zones are entitled to PRC enterprise income tax at concessionary rate at 15%. LAT is charged at progressive rates on the applicable appreciation value.

Pursuant to the PRC enterprise income tax law promulgated on 16 March 2007, the new tax rates for domestic and foreign enterprises are unified at 25% and will be effective from 1 January 2008. For a subsidiary which currently applied for statutory tax rate of 33%, deferred tax is recognised based on the tax rate that are expected to apply to the period when the asset is realised or the liability is settled.

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

## 9. Dividends

On 17 January 2008, a final dividend of 3 Hong Kong cents (2006: 3 Hong Kong cents) per share was paid to the Company’s shareholders as a final dividend for the year ended 30 June 2007.

The Directors have declared an interim dividend of 3 Hong Kong cents (2006: 3 Hong Kong cents) per share for the six months ended 31 December 2007 to all shareholders whose names appear on the register of members of the Company on 18 April 2008.

## 10. Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on profit attributable to equity holders of the Company of HK\$37,297,000 (2006: HK\$13,411,000) for the period and on 219,103,681 (2006: 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 for both periods.

## 11. Investment properties

	<i>HK\$’000</i>
<b>FAIR VALUE</b>	
At 30 June 2007	1,410,772
Exchange realignment	57,548
Increase in fair value	13,237
	<hr/>
<b>At 31 December 2007</b>	<b>1,481,557</b>
	<hr/> <hr/>

The fair value of investment properties at the balance sheet date was determined by reference to a valuation carried out by Savills Valuation and Professional Services Limited. The revaluation gave rise to a net gain arising from changes in fair value of HK\$13,237,000 (2006: HK\$5,973,000) which has been credited to the condensed consolidated income statement.

## 12. Trade and other receivables

At 31 December 2007, the balance of trade and other receivables included trade receivables of HK\$14,485,000 (30 June 2007: HK\$14,552,000), receivables from home buyers who defaulted on repayment to banks, representing the loans taken over by the Group, of HK\$35,629,000 (30 June 2007: HK\$36,109,000) with collateral of properties and an amount receivable as at 31 December 2007 for vendor's undertakings of HK\$2,576,000 (30 June 2007: HK\$47,962,000) in relation to the acquisition of subsidiaries in the year ended 30 June 2006. For property sales, other than home loans, the Group allows an average credit period of 30 days to its customers. Rental receivables from tenants and service income receivables from customers are payable on presentation of invoices. The aged analysis of trade receivables is as follows:

	<b>Unaudited</b>	Audited
	<b>At 31</b>	At 30
	<b>December</b>	June
	<b>2007</b>	2007
	<b>HK\$'000</b>	HK\$'000
0 – 60 days	12,365	14,552
61 – 90 days	66	–
Over 90 days	2,054	–
	<hr/>	<hr/>
	<b>14,485</b>	<b>14,552</b>
	<hr/> <hr/>	<hr/> <hr/>

## 13. Trade and other payables

At 31 December 2007, the balance of trade and other payables included trade payables of HK\$19,029,000 (30 June 2007: HK\$21,452,000). The aged analysis of trade payables is as follows:

	<b>Unaudited</b>	Audited
	<b>At 31</b>	At 30
	<b>December</b>	June
	<b>2007</b>	2007
	<b>HK\$'000</b>	HK\$'000
0 – 60 days	4,450	7,433
61 – 90 days	160	–
Over 90 days	14,419	14,019
	<hr/>	<hr/>
	<b>19,029</b>	<b>21,452</b>
	<hr/> <hr/>	<hr/> <hr/>



## **RESULTS REVIEW**

For the six months ended 31 December 2007, the Group recorded a turnover of HK\$96,854,000 (2006: HK\$87,921,000) and gross profit of HK\$49,126,000 (2006: HK\$36,181,000), showing a rise in turnover and gross profit of about 10% and 36%, respectively, as compared with the last corresponding period. These results are mainly attributable to the proceeds of property sale and rental income of the Group in the Mainland China. In addition, the Group recognised other income in the sum of HK\$29,263,000 (2006: HK\$16,066,000) mainly due to exchange gain as a result of the appreciation of Renminbi and the guaranteed rental income of investment properties in Shanghai provided by the vendor during the six months ended 31 December 2007.

For the period under review, the fair value of investment properties of the Group in Shanghai and Beijing has been further increased in the amount of HK\$13,237,000 (2006: HK\$5,973,000). After considering the relevant tax effect, the profit for the period attributable to shareholders of the Company was HK\$37,297,000 (2006: HK\$13,411,000) with an earnings per share of HK\$0.1702 (2006: HK\$0.0612), reflecting a surge of about 178%.

## **BUSINESS REVIEW**

For the period under review, the Group achieved continuously satisfactory growth in terms of capital value and rental yield of its Renminbi-based properties in the Mainland China. In spite of the official monetary tightening and restrictions on foreign investment in property market in the Mainland China, the demand for high-end offices in Shanghai and commercial spaces in Beijing remained strong as driven by the robust economic growth as well as buoyant business activities in these cities.

In Shanghai, the fair value of high-quality office units of the Group known as “Eton Place” appreciated by HK\$11,465,000 during the six months ended 31 December 2007. These investment properties have been almost fully occupied during the period, and thus contributed a steady source of rental income to the Group, supported by a guaranteed gross annual rental income of not less than RMB60,000,000 (representing an annual gross rental yield of about 8% calculated by reference to the relevant amount of investment made by the Group) provided by the vendor for a period of three years commencing from October 2006.

In Beijing, the Group booked the proceeds of property sale derived from its office apartments and residential units in the amount of HK\$58,354,000 during the period under review. Meanwhile, investment properties of the Group including, among others, “Uptown Mall” also realised an increase in fair value in the sum of HK\$1,772,000 during the period. And about 91% of leasable floor area of the Uptown Mall has been leased, bringing another stable contributor of rental income.

During the period under review, the Group continued to strive for better redevelopment plan to enhance value of the investment of the Group’s site located in Tung Kok Tau in Shekou, Shenzhen by way of negotiations with relevant government authorities regarding the official rezoning, city planning and the location of Shenzhen Metro surrounding the Group’s site in Tung Kok Tau. As for the disputes over the equity interests in the relevant joint venture, the hearing of the international arbitration in last November has been adjourned due to changes in nomination of arbitrators, which has now been fixed at the end of March of this year.

## **FINANCIAL REVIEW**

### **Capital Structure**

The financial position of the Group remains sound and liquid, and its financing and treasury policies are managed and controlled at the corporate level and prudent manner. The main objective is to utilise the group funding efficiently and to manage the financial risks effectively. As at 31 December 2007, the equity attributable to equity holders of the Company amounted to HK\$1,388,139,000 (30 June 2007: HK\$1,298,850,000) with net asset value per share of HK\$6.34 (30 June 2007: HK\$5.93). Total unsecured and secured bank borrowings of the Group amounted to about HK\$367,600,000 (30 June 2007: HK\$388,200,000) as at 31 December 2007, which were in Hong Kong dollars and repayable within 5 years on floating rate basis. As at 31 December 2007, the gearing ratio of the Group was about 15.4% (30 June 2007: 22.7%) based on the Group's net debt (after deducting bank balance and cash) to its equity attributable to equity holders of the Company. The Group maintains a conservative approach in treasury management by constantly monitoring its interest rate and foreign exchange exposure. The use of financial instrument is strictly controlled. No significant exposure to foreign currency fluctuations affected the Group in the period under review, other than appreciation effect of Renminbi on income and properties of the Group, which were mainly in Renminbi. No financial instruments were used for hedging purpose in the period.

### **Financial Resources and Liquidity**

In the period under review, sufficient cashflow was generated by sales proceeds of properties in Beijing as well as rental income of investment properties in Shanghai and Beijing. As at 31 December 2007, the Group's bank balances and cash stood at HK\$153,274,000 (30 June 2007: HK\$93,425,000) denominated primarily in Renminbi and Hong Kong dollars. With sufficient cashflow in the period, the Group maintained un-utilised credit facilities of HK\$21,000,000 (30 June 2007: HK\$16,000,000) as working capital at floating interest rate as at 31 December 2007.

The funding requirement for redevelopment of Tung Kok Tau is intended to be financed by internal resources, bank borrowings and such other means of financing as the Directors may deem expedient.

### **Pledge of Assets and Contingent Liabilities**

As at 31 December 2007, the Group pledged its investment properties in Shanghai with a total carrying value of HK\$969,692,000 (30 June 2007: HK\$920,604,000) to financial institutions as security against general banking facilities granted to the Group, and also pledged its bank deposits of HK\$50,077,000 (30 June 2007: HK\$31,469,000) to banks to secure mortgage bank loans granted to the home buyers in Beijing. The Group has given guarantees in respect of the settlement of home loans provided by banks to the home buyers of a property project in Beijing. As at 31 December 2007, the Group had given guarantees in respect of such home loans of HK\$301,423,000 (30 June 2007: HK\$357,976,000). The Directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition are insignificant on the basis of the low loan ratio.

## **PROSPECTS**

Looking ahead and considering favorable factors of the positive effect from the impending Olympics to be held in Beijing this year and World Expo to be held in Shanghai in 2010, the anticipation of continuous appreciation of Renminbi and the strong consecutive economic growth in the PRC, these favorable factors will continue to drive the uptrend demand for high-quality offices in Shanghai and commercial spaces in Beijing. Hence, it is anticipated that investment properties of the Group in these cities will have the potential of growth in the ensuing year.

Though the recent macro-control policies curbed the overheating property market in Shenzhen, the site of Tung Kok Tau in Shekou has yet its distinctive redevelopment value and potential, taking into account of its prime location with proposed well-planned infrastructure and unique city planning, its proximity to Western Corridor between Hong Kong and Shenzhen as well as the proposed construction of Route No. 2 of Shenzhen Metro. The Group is exerting its best effort to negotiate with the relevant authorities to enhance redevelopment and economic values of the Group's site in Tung Kok Tau. In the meantime, application to the relevant Government authorities for reclamation of the Group's site located in Tung Kok Tau has been lodged. As for the disputes over the equity interests in the relevant joint venture, the hearing of international arbitration has now been fixed at the end of this March. Meanwhile, negotiations with the joint venture partner are still on-going and the Group will endeavor to negotiate with it to resolve the disputes.

## **INTERIM DIVIDEND**

The Directors have declared an interim dividend of 3 Hong Kong cents (2006: 3 Hong Kong cents) per share for the six months ended 31 December 2007 to all shareholders whose names appear on the register of members of the Company on 18 April 2008. The dividend warrants are expected to be despatched to those entitled on or about 2 May 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 14 April 2008 to Friday, 18 April 2008, 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, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 April 2008.

## **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 with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the six months ended 31 December 2007.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed the accounting practices and principles adopted by the Group and discussed with the management as to auditing, internal control and financial reporting matters including the review of these unaudited interim results for the six months ended 31 December 2007.

By Order of the Board  
**CHAN Wing Kit, Frank**  
*Chief Executive Officer*

Hong Kong, 14 March 2008

*As at the date of this announcement, the Directors of the Company comprise Mr. CHUA Domingo, Dr. CHAN Wing Kit, Frank, Mr. TANENGLIAN Mariano Chua, Mr. TAN Lucio Jr. Khao, Mr. CHEUNG Chi Ming, Mr. PASCUAL Ramon Sy, Mr. CHIU Siu Hung, Allan and Mr. WONG Sai Tat as Executive Directors; and Mr. CHONG Kim Chan, Kenneth, Mr. SY Robin and Ms. SALAZAR Lourdes Apostol as Independent Non-Executive Directors.*