



DYNAMIC

HOLDINGS LIMITED

達力集團有限公司

(Incorporated in Bermuda with limited liability)

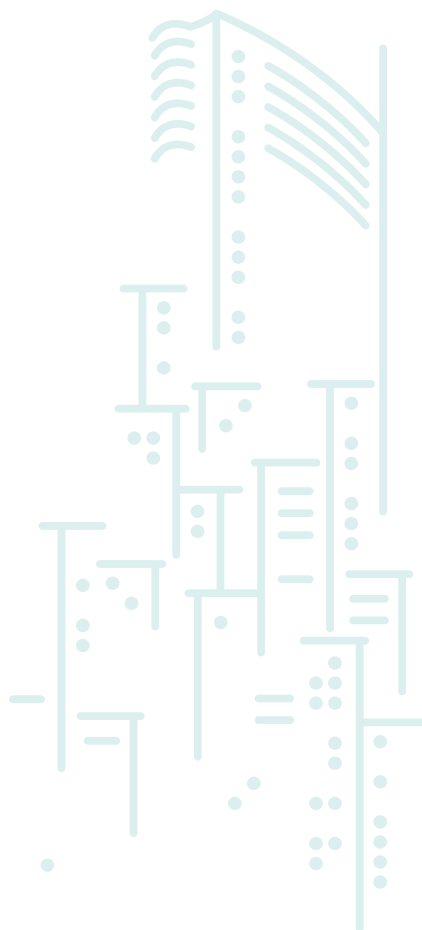
Stock Code: 29



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Corporate and Investor Information



DIRECTORS

Executive Directors

CHUA Domingo, *Chairman*

CHAN Wing Kit, Frank,
Chief Executive Officer

TAN Harry Chua

TAN Lucio Jr. Khao

CHEUNG Chi Ming

PASCUAL Ramon Sy

CHIU Siu Hung, Allan

WONG Sai Tat

Independent Non-executive Directors

CHONG Kim Chan, Kenneth

SY Robin

FOK Kam Chu, John

REMUNERATION COMMITTEE

CHUA Domingo

CHAN Wing Kit, Frank

CHONG Kim Chan, Kenneth

SY Robin

FOK Kam Chu, John

COMPANY SECRETARY

WONG Oi Yee, Polly

AUDIT COMMITTEE

CHONG Kim Chan, Kenneth, *Chairman*

SY Robin

FOK Kam Chu, John

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Jackson Woo & Associates in association
with Ashurst Hong Kong

Deacons

Appleby

PRINCIPAL BANKERS

Hang Seng Bank Limited

China Merchants Bank Co., Ltd.

Bank of China Limited

Bank of Communications Co., Ltd.



STOCK CODE

029

SHARE REGISTRAR

Principal Share Registrar

Butterfield Fulcrum Group
(Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Branch Share Registrar

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS

17th Floor, Eton Tower
8 Hysan Avenue
Causeway Bay
Hong Kong

REPRESENTATIVE OFFICE IN SHENZHEN

Unit 1321, Shenzhen Kerry Centre
2008 Renminnan Road, Shenzhen
The People's Republic of China

WEBSITES

<http://www.dynamic.hk>
<http://www.irasia.com/listco/hk/dynamic>

FINANCIAL CALENDAR

Book-close Dates	16 April 2012 – 20 April 2012 (both days inclusive)
Record Date for Interim Dividend	20 April 2012
Payment of Interim Dividend	4 May 2012

Management Statement



The board of directors (the “**Board**” or the “**Directors**”) of Dynamic Holdings Limited (the “**Company**”) hereby present their management statement and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 December 2011.

INTERIM RESULTS

For the six months ended 31 December 2011, the Group reported a turnover of HK\$50,813,000 (2010: HK\$37,347,000) and a gross profit of HK\$35,835,000 (2010: HK\$24,724,000). Both the turnover and gross profit markedly increased by about 36% and 45% respectively, as compared with the last corresponding period. These results were primarily derived from rental income of investment properties and sales proceeds of properties of the Group as further described below. Furthermore, the Group accounted for other income of HK\$18,281,000 (2010: HK\$15,189,000), which mainly includes exchange gain and imputed interest, and the Group also recognised an aggregate increase of HK\$34,274,000 (2010: HK\$21,642,000) in the fair value of its investment properties for the period.

All in all, the profit for the period attributable to owners of the Company totaling HK\$50,320,000 (2010: HK\$37,730,000) soared by 33% as against the last corresponding period, with basic earnings per share of HK\$0.2297 (2010: HK\$0.1722).

Together with other comprehensive income of exchange difference on translation to presentation currency, the total comprehensive income attributable to owners of the Company amounted to HK\$93,408,000 (2010: HK\$74,531,000) for the period, showing a rise of 25% from the last corresponding period.

SEGMENT INFORMATION

Details of the segment information of the Group’s turnover and results by reportable segment for the period are set out in note 3 to the condensed consolidated financial statements.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 2 Hong Kong cents (2010: 2 Hong Kong cents) per share for the six months ended 31 December 2011 to all shareholders whose names appear on the register of members of the Company on 20 April 2012. The dividend warrants are expected to be despatched to those entitled on or about 4 May 2012.



BUSINESS REVIEW

In the period under review, the turnover and results of the Group continued to be principally generated from its operating segment in terms of property rental in the mainland China.

The rental income of the Group stemmed from its investment properties in Shanghai and Beijing amounted to HK\$41,406,000 (2010: HK\$35,342,000), which represents about 81% of revenue income of the Group in the period. In terms of fair value, these investment properties of the Group comprising, among others, shopping mall in Beijing and office units in Shanghai appreciated in an aggregate of HK\$34,274,000 (2010: HK\$21,642,000) in the period. As such, the segment results of property rental recorded a profit of HK\$63,763,000 (2010: HK\$45,356,000), with a surge of 41% as compared with the last corresponding period.

In Shanghai, leasing demand and net take-up remained buoyant in the office market, thereby accelerating a high occupancy rate for the quality offices of the Group known as “Eton Place” which is in the prime location of Little Lujiazui of Pudong, resulting in an increase in both rental and capital value, and boosting the segment results with an aggregate profit of HK\$42,168,000 (2010: HK\$17,208,000) in the period.

In Beijing, the well-established community mall of the Group known as “Uptown Mall” enjoyed virtually full level of occupancy with mildly improved rental of HK\$15,782,000 (2010: HK\$13,292,000), contributing to the segment results with an aggregate profit of HK\$21,595,000 (2010: HK\$28,148,000) in the period.

In view of limited residential units available for sale by the Group, the proceeds of property sales amounted to HK\$9,407,000 (2010: HK\$2,005,000) resulting in the segment results with an aggregate profit of HK\$8,054,000 (2010: HK\$2,015,000) albeit the official stringent home-buying measures imposed in China in the period.

In respect of the jointly controlled entity known as Shenzhen Zhen Wah Harbour Enterprises Ltd. (“**Zhen Wah**”, which is entitled to the land use right of a piece of land located in Tung Kok Tau in Shenzhen), the Group and the Chinese partner of Zhen Wah have been continuing to jointly negotiate with the municipal governmental authorities on behalf of Zhen Wah in relation to land re-planning with an aim to enhance use of land and ancillary facilities, to increase gross developable area and saleable floor area mainly in high-rise residential area and to procure favorable revised land premium for additional gross developable area.



FINANCIAL REVIEW

Capital Structure

The financial position of the Group remains stable and liquid, and its financing and treasury policies are managed and controlled at the corporate level and prudent manner during the period. The main objective is to utilise the group funding efficiently and to manage the financial risks effectively. As at 31 December 2011, the equity attributable to its owners amounted to HK\$1,711,341,000 (30 June 2011: HK\$1,614,102,000) with net asset value per share of HK\$7.81 (30 June 2011: HK\$7.37). Total unsecured and secured bank borrowings of the Group amounted to about HK\$243,750,000 (30 June 2011: HK\$239,700,000), which were in Hong Kong dollars and repayable within 3 years on floating rate basis. As at 31 December 2011, the gearing ratio of the Group was about 5% (30 June 2011: 9%) based on the net debt of the Group (after deducting bank balances and cash) to its equity attributable to owners of the Company. The Group maintains a conservative approach to treasury management by constantly monitoring its exposure to interest rate and foreign exchange. The use of financial instrument is strictly controlled by the Group. No significant exposure to foreign currency fluctuations affected the Group in the period under review and 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 rental income of investment properties in Shanghai and Beijing as well as sales proceeds of properties in Beijing. As at 31 December 2011, the Group's bank balances and cash stood at HK\$162,866,000 (30 June 2011: HK\$97,761,000), denominated primarily in renminbi yuans and Hong Kong dollars. With sufficient cashflow, the Group maintained unutilised credit facilities of HK\$11,000,000 (30 June 2011: HK\$95,800,000) as working capital at floating interest rate as at 31 December 2011.

Pledge of Assets and Contingent Liabilities

As at 31 December 2011, the Group pledged its properties with a total carrying value of HK\$729,086,000 (30 June 2011: HK\$1,055,890,000), an assignment of rental and sale proceeds from such properties and a charge over shares in respect of a wholly-owned subsidiary of the Group to a financial institution as security against general banking facilities granted to the Group, and also pledged certain of its bank deposits in the sum of HK\$19,060,000 (30 June 2011: HK\$60,734,000) to banks to secure home loans granted to the home buyers of property project of the Group. In the period under



FINANCIAL REVIEW (Continued)

Pledge of Assets and Contingent Liabilities (Continued)

review, the Group has given guarantees in respect of settlement of home loans provided by banks to the home buyers of a property project in Beijing. As at 31 December 2011, the Group had given guarantees in respect of such home loans of HK\$65,473,000 (30 June 2011: HK\$86,200,000). The Directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of the low loan ratio.

PROSPECTS

Despite uncertainties over the volatile global financial market and the forecast of a slowdown in global economic growth, it is expected that a positive and robust outlook for economic growth in China will subsist, bolstering leasing demand and rental income of office and retail sectors notwithstanding the official cooling-down policies imposed in China to cure residential market and inflationary pressure.

In Shanghai, given the active momentum of office leasing in the prime locations, rental and occupancy rate are expected to hold firm. To sustain high occupancy rate and steady recurring revenue, the Group will strive for retention and expansion of existing tenants upon lease renewals at competitive rental strategies.

In Beijing, both foreign- and local-branded retailers will continue to set up and expand on the back of brisk domestic retail market. Meanwhile, the Group will consistently re-position its mall by upgrading tenant mix and brand portfolio as well as shopping environment with an aim to strengthen its competitiveness for high occupancy rate and constant recurring revenue to the Group.

In light of booming city development particularly the superb residential development in Nanshan District in Shenzhen, the Group will endeavor to safeguard its best interests in Zhen Wah and to negotiate with the relevant government authorities in an attempt to enhance redevelopment plan and maximise asset value of Tung Kok Tau in alignment with the official re-zoning, city planning and development of infrastructure in the region.



CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 April 2012 to Friday, 20 April 2012, both days inclusive, during which period no transfer of share(s) will be effected. In order to qualify for the interim dividend, all form(s) of share transfer accompanied by the relevant share certificate(s) 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, 13 April 2012.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2011, the interests and short positions held by the Directors or the chief executive(s) of the Company or any of their associates in the shares of the Company ("**Shares**"), shares of any of its associated corporations and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**") as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Name of Director	Number of issued ordinary Shares of the Company held (long position)			Personal interests in underlying Shares pursuant to share options (long position) (note 3)	Aggregate interests	Total interests as approximate percentage of issued share capital (note 4)
	Corporate interests	Personal interests	Family interests			
Mr. CHUA Domingo (note 1)	89,321,279	4,000,000	–	1,800,000	95,121,279	43.41%
Dr. CHAN Wing Kit, Frank	–	–	–	1,650,000	1,650,000	0.75%
Mr. TAN Harry Chua (note 2)	–	–	248,000	1,500,000	1,748,000	0.80%
Mr. TAN Lucio Jr. Khao	–	–	–	1,500,000	1,500,000	0.68%



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

Name of Director	Number of issued ordinary Shares of the Company held (long position)			Personal interests in underlying Shares pursuant to share options (long position) (note 3)	Aggregate interests	Total interests as approximate percentage of issued share capital (note 4)
	Corporate interests	Personal interests	Family interests			
Mr. CHEUNG Chi Ming	-	-	-	1,500,000	1,500,000	0.68%
Mr. PASCUAL Ramon Sy	-	80,000	-	1,500,000	1,580,000	0.72%
Mr. CHIU Siu Hung, Allan	-	-	-	1,000,000	1,000,000	0.46%
Mr. WONG Sai Tat	-	-	-	1,000,000	1,000,000	0.46%
Mr. CHONG Kim Chan, Kenneth	-	-	-	1,000,000	1,000,000	0.46%
Mr. SY Robin	-	-	-	1,000,000	1,000,000	0.46%
Mr. FOK Kam Chu, John	-	-	-	1,000,000	1,000,000	0.46%

- Notes:
- The corporate interests of Mr. CHUA Domingo were held through Dynamic Development Corporation. Dynamic Development Corporation is wholly-owned by Carnation Investments Inc. of which Mr. CHUA Domingo is the sole shareholder and director.
 - Mr. TAN Harry Chua was deemed or taken to be interested in 248,000 Shares beneficially owned by his spouse, Mrs. TAN Xing Hong Wei Wang, for the purpose of the SFO.
 - The Directors' interests in the underlying Shares are through share options granted by the Company on 25 October 2011 under the 2001 Scheme, details of which are set out in the notes to the condensed consolidated financial statements under the section headed "Share Option Schemes and Share-based Payments" in this interim report.
 - The calculation is derived from the aggregate interests as a percentage of the total number of issued Shares of the Company (i.e. 219,103,681 Shares) as at 31 December 2011.



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

Save as disclosed above, as at 31 December 2011, none of the Directors, the chief executive(s) of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Save as disclosed above, none of the Directors, the chief executive(s) of the Company or any of their associates had been granted or exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) during the six months ended 31 December 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they had complied with the required standards of dealings as set out therein during the six months ended 31 December 2011.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2011, so far as is known to any Director or chief executive(s) of the Company, persons (other than the Directors or the chief executive(s) of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of issued ordinary Shares and underlying Shares (long position)	Total interests (long position)	Total interests as approximate percentage of issued share capital (note 4)
Dynamic Development Corporation	Beneficial owner	89,321,279	89,321,279	40.77%



SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

Name	Capacity	Number of issued ordinary Shares and underlying Shares (long position)	Total interests (long position)	Total interests as approximate percentage of issued share capital (note 4)
Carnation Investments Inc.	Trustee of a private discretionary trust (note 1)	89,321,279	89,321,279	40.77%
Dr. TAN Lucio C.	Founder of a private discretionary trust	89,321,279	93,701,279	42.77%
	Beneficial owner (note 2)	2,190,000		
	Family interests (note 2)	2,190,000		
Mrs. TAN Carmen K.	Family interests (note 3)	91,511,279	93,701,279	42.77%
	Beneficial owner (note 3)	2,190,000		

- Notes:
1. Carnation Investments Inc. was taken to be interested in 89,321,279 shares in the Company as the entire issued share capital of Dynamic Development Corporation was held by Carnation Investments Inc. as trustee for a private discretionary trust. Mr. CHUA Domingo is the sole shareholder and director of Carnation Investments Inc.
 2. Dr. TAN Lucio C. beneficially held 2,190,000 underlying Shares as derivative interests. Dr. TAN, being the spouse of Mrs. TAN Carmen K. who was interested in 2,190,000 underlying Shares as derivative interests, was deemed or taken to be interested in such Shares as family interests in which Mrs. TAN Carmen K. was interested under the SFO.
 3. Mrs. TAN Carmen K. beneficially held 2,190,000 underlying Shares as derivative interests. Mrs. TAN, being the spouse of Dr. TAN Lucio C. who was interested in 89,321,279 Shares of the Company as a founder of a private discretionary trust and 2,190,000 underlying Shares as derivative interests, was deemed or taken to be interested in such Shares as family interests in which Dr. TAN Lucio C. was interested under the SFO.
 4. The calculation is derived from the aggregate interests as a percentage of the total number of issued Shares of the Company (i.e. 219,103,681 Shares) as at 31 December 2011.
 5. The references to 89,321,279 Shares in the Company in which Dynamic Development Corporation, Carnation Investments Inc., Dr. TAN Lucio C. and Mrs. TAN Carmen K. were interested or taken to be interested relate to the same block of Shares.



SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

Save as disclosed above, as at 31 December 2011, no other person (other than the Directors and the chief executive(s) of the Company) had any interests or short positions in the Shares and underlying Shares recorded in the register required to be kept by the Company under Section 336 of the SFO.

EMOLUMENT POLICY

At 31 December 2011, the Group had below 80 employees in Hong Kong and the mainland China at prevailing market remuneration with employee benefits such as medical insurance, provident fund schemes and share option schemes.

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company on the basis of the respective merits, qualifications and competence taking account of comparable market level and operating results of the Group.

The emoluments of the respective Directors of the Company are determined by the remuneration committee of the Company, having regard to the operating results of the Group, individual performance and comparable market statistics.

The Company has adopted share option schemes as incentive to Directors and eligible employees, details of the scheme is set out in note 16 to the condensed consolidated financial statements.

CORPORATE GOVERNANCE

The Company has applied the principles and 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 2011.



PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 this unaudited interim report for the six months ended 31 December 2011.

By Order of the Board

CHAN Wing Kit, Frank
Director and Chief Executive Officer

Hong Kong, 24 February 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2011

	Notes	Unaudited Six months ended 31 December	
		2011 HK\$'000	2010 HK\$'000
Turnover	3	50,813	37,347
Direct costs		(14,978)	(12,623)
Gross profit		35,835	24,724
Other income	4	18,281	15,189
Increase in fair value of investment properties		34,274	21,642
Administrative expenses		(20,107)	(10,754)
Finance costs	6	(2,412)	(1,207)
Share of loss of a jointly controlled entity		(3,248)	(3,609)
Profit before taxation		62,623	45,985
Taxation	7	(11,187)	(7,179)
Profit for the period		51,436	38,806
Other comprehensive income			
Exchange difference on translation to presentation currency		43,906	37,565
Total comprehensive income for the period		95,342	76,371
Profit for the period attributable to:			
Owners of the Company		50,320	37,730
Non-controlling interest		1,116	1,076
		51,436	38,806
Total comprehensive income attributable to:			
Owners of the Company		93,408	74,531
Non-controlling interest		1,934	1,840
		95,342	76,371
Earnings per share (<i>Hong Kong cents</i>)	8		
Basic		22.97	17.22
Diluted		22.87	17.22

Condensed Consolidated Statement of Financial Position

As at 31 December 2011



		Unaudited At 31 December 2011 <i>HK\$'000</i>	Audited At 30 June 2011 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current Assets			
Property, plant and equipment		2,342	2,447
Investment properties	<i>10</i>	1,722,709	1,645,704
Interest in a jointly controlled entity	<i>11</i>	64,968	65,759
Amount due from a jointly controlled entity	<i>11</i>	240,800	228,154
Other receivables		–	–
		2,030,819	1,942,064
Current Assets			
Properties held for sale		30,481	32,736
Loan receivables		–	–
Trade and other receivables	<i>12</i>	18,287	15,394
Amount due from a non-controlling shareholder		943	920
Bank deposits – pledged		19,060	60,734
Bank balances and cash		162,866	97,761
		231,637	207,545
Current Liabilities			
Trade and other payables	<i>13</i>	58,329	58,565
Pre-sale deposits received		894	2,257
Tax payable		101,156	97,977
Bank loans – due within one year	<i>14</i>	25,000	79,490
		185,379	238,289
Net Current Assets (Liabilities)		46,258	(30,744)
Total Assets less Current Liabilities		2,077,077	1,911,320

Condensed Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2011



		Unaudited At 31 December 2011 <i>HK\$'000</i>	Audited At 30 June 2011 <i>HK\$'000</i>
	<i>Notes</i>		
Capital and Reserves			
Share capital	15	219,104	219,104
Reserves		1,492,237	1,394,998
Equity attributable to owners of the Company		1,711,341	1,614,102
Non-controlling interest		33,293	31,359
Total Equity		1,744,634	1,645,461
Non-current Liabilities			
Bank loans – due after one year	14	218,750	160,210
Deferred tax liabilities		113,693	105,649
		332,443	265,859
		2,077,077	1,911,320

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2011



	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Capital redemption reserve	Translation reserve	Share-based payments reserve	Other reserve	Retained profits	Total	Non-controlling interest	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 30 June 2010 (audited)	219,104	426,608	55,018	1,644	235,438	-	92,451	444,050	1,474,313	29,082	1,503,395
Profit for the period	-	-	-	-	-	-	-	37,730	37,730	1,076	38,806
Exchange differences arising on translation	-	-	-	-	36,801	-	-	-	36,801	764	37,565
Total comprehensive income for the period	-	-	-	-	36,801	-	-	37,730	74,531	1,840	76,371
Cash dividends	-	-	-	-	-	-	-	(4,382)	(4,382)	-	(4,382)
At 31 December 2010 (unaudited)	219,104	426,608	55,018	1,644	272,239	-	92,451	477,398	1,544,462	30,922	1,575,384
At 30 June 2011 (audited)	219,104	426,608	55,018	1,644	309,403	-	92,451	509,874	1,614,102	31,359	1,645,461
Profit for the period	-	-	-	-	-	-	-	50,320	50,320	1,116	51,436
Exchange differences arising on translation	-	-	-	-	43,088	-	-	-	43,088	818	43,906
Total comprehensive income for the period	-	-	-	-	43,088	-	-	50,320	93,408	1,934	95,342
Recognition of share-based payments	-	-	-	-	-	8,213	-	-	8,213	-	8,213
Cash dividends	-	-	-	-	-	-	-	(4,382)	(4,382)	-	(4,382)
At 31 December 2011 (unaudited)	219,104	426,608	55,018	1,644	352,491	8,213	92,451	555,812	1,711,341	33,293	1,744,634

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2011



	Unaudited Six months ended 31 December	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
NET CASH FROM OPERATING ACTIVITIES	32,430	40,376
NET CASH FROM (USED IN) INVESTING ACTIVITIES	36,438	(3,794)
NET CASH USED IN FINANCING ACTIVITIES	(2,624)	(32,290)
NET INCREASE IN CASH AND CASH EQUIVALENTS	66,244	4,292
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	97,761	126,976
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	(1,139)	(2,997)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	162,866	128,271

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2011



1. BASIS OF PREPARATION

The condensed consolidated financial statements of Dynamic Holdings Limited (the “**Company**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and 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.

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.

The condensed consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 December 2011 are unaudited and have been reviewed by the audit committee of the Company.

Certain comparative figures have been reclassified to conform with the current period’s presentation.

2. PRINCIPAL ACCOUNTING POLICIES

The 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 the condensed consolidated financial statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 30 June 2011 except as described below.

In the current period, the Group has applied, for the first time, the following new and revised standard(s), amendment(s) and/or interpretation(s) (“**new and revised standards**”) issued by HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKAS 27 and HKFRS 3
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 24 (Revised 2009)	Related Party Disclosures
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement

The adoption of the above new and revised standards has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements of the Group.



2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new and revised standards that have been issued but are not yet effective.

HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ³
HKFRS 9	Financial Instruments ⁵
HKFRS 10	Consolidated Financial Statement ³
HKFRS 11	Joint Arrangements ³
HKFRS 12	Disclosure of Interests in Other Entities ³
HKFRS 13	Fair Value Measurement ³
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ²
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ¹
HKAS 19 (Revised 2011)	Employee Benefits ³
HKAS 27 (Revised 2011)	Separate Financial Statements ³
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ³
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities ⁴
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ³

¹ Effective for annual periods beginning on or after 1 January 2012

² Effective for annual periods beginning on or after 1 July 2012

³ Effective for annual periods beginning on or after 1 January 2013

⁴ Effective for annual periods beginning on or after 1 January 2014

⁵ Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the potential impact of these new and revised standards, and the directors of the Company (the “**Directors**”) so far concluded that save for those disclosed in the notes to the consolidated financial statements in the annual report of the Company for the year ended 30 June 2011, the application of other new and revised standards will have no material impact on the results and the financial position of the Group.

For the six months ended 31 December 2011

3. TURNOVER AND SEGMENT INFORMATION

Information reported to the board of directors of the Company (the “**Board**”), being the chief operating decision maker, for the purpose of resource allocation and assessment of performance focused on the location of the properties for property rental and property sales.

The property rental segment includes property leasing operation in the People’s Republic of China (“**PRC**”). The Group’s investment properties portfolio, which mainly consists of offices, shopping mall and carparks, are located in Beijing and Shanghai. The property sales segment includes sale of the Group’s trading properties in Beijing.

These divisions are the basis on which the Group reports its segment information under HKFRS 8 “Operating Segments”.

The following is an analysis of the Group’s revenue and results by reportable and operating segment for the period:

	Property rental				Property sales		Consolidated	
	Beijing		Shanghai		Beijing			
	Unaudited							
	Six months ended 31 December							
	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
SEGMENT REVENUE								
TURNOVER								
External sales	15,782	13,292	25,624	22,050	9,407	2,005	50,813	37,347
SEGMENT RESULT	21,595	28,148	42,168	17,208	8,054	2,015	71,817	47,371
Unallocated other income							14,897	13,599
Unallocated corporate expenses							(18,431)	(10,169)
Finance costs							(2,412)	(1,207)
Share of loss of a jointly controlled entity							(3,248)	(3,609)
Profit before taxation							62,623	45,985

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment result represents the profit earned or loss incurred from each segment without the allocation of central administration costs, bank interest income, imputed interest income on amount due from a jointly controlled entity, finance costs and share of result of a jointly controlled entity. This is the measure reported to the Directors for the purposes of resources allocation and performance assessment.

Turnover arising from property sales of HK\$9,407,000 (2010: from property rental of HK\$35,342,000) included turnover of approximately HK\$6,478,000 (2010: HK\$5,572,000 from property rental) which was contributed by the Group’s largest customer.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2011



4. OTHER INCOME

	Unaudited Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Included in other income are:		
Bank interest income	1,885	200
Exchange gain, net	6,140	6,889
Imputed interest income on other receivables	131	242
Imputed interest income on amount due from a jointly controlled entity	6,885	6,509

5. DEPRECIATION AND AMORTISATION

	Unaudited Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Profit before taxation has been arrived at after charging the following items:		
Depreciation	215	317
Amortisation	-	-

6. FINANCE COSTS

	Unaudited Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Interest on bank borrowings wholly repayable within five years	2,412	1,207



7. TAXATION

	Unaudited Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
The tax charge comprises:		
Income tax in the PRC (other than Hong Kong) Current period	5,501	3,233
PRC land appreciation tax ("LAT")	790	–
Deferred tax liabilities Current period charge	4,896	3,946
	11,187	7,179

PRC enterprise income tax and LAT are calculated at the rates prevailing in the PRC.

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

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Unaudited Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	50,320	37,730

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31 December 2011



8. EARNINGS PER SHARE (Continued)

	Number of shares Unaudited Six months ended 31 December	
	2011	2010
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	219,103,681	219,103,681
Effect of dilutive potential ordinary shares – share options	892,194	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	219,995,875	219,103,681

9. DIVIDENDS

	Unaudited Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Final dividend paid in respect of year ended 30 June 2011 of 2 Hong Kong cents (2010: 2 Hong Kong cents) per share	4,382	4,382
Interim dividend declared in respect of six months ended 31 December 2011 of 2 Hong Kong cents (2010: 2 Hong Kong cents) per share	4,382	4,382
	8,764	8,764

For the six months ended 31 December 2011



10. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 30 June 2011 (audited)	1,645,704
Exchange realignment	42,731
Increase in fair value	34,274
At 31 December 2011 (unaudited)	1,722,709

The fair values of the Group's investment properties as at 31 December 2011 and 30 June 2011 have been arrived at on the basis of valuations carried out on that dates by Savills Valuation and Professional Services Limited, an independent firm of qualified professional valuers not connected with the Group. Savills Valuation and Professional Services Limited is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The revaluation gave rise to a net gain arising from increase in fair value of HK\$34,274,000 (2010: HK\$21,642,000) which has been credited to profit or loss. All the investment properties are situated in the PRC under medium-term lease.

11. INTEREST IN AND AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

	Unaudited At 31 December 2011 <i>HK\$'000</i>	Audited At 30 June 2011 <i>HK\$'000</i>
Cost of investment, unlisted	86,220	84,522
Share of post-acquisition loss and reserves	(21,252)	(18,763)
	64,968	65,759
Amount due from a jointly controlled entity	248,170	235,524
Less: Allowance for interest receivable	(7,370)	(7,370)
	240,800	228,154

The amount due from a jointly controlled entity is unsecured and repayable after the next twelve months from the end of the reporting period. The amount is carried at amortised cost at an effective interest rate of 6% (30 June 2011: 6%) per annum. As at 31 December 2011, the amount was partially impaired in respect of the interest receivable of HK\$7,370,000 (30 June 2011: HK\$7,370,000).



11. INTEREST IN AND AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY (Continued)

A summarised financial information in respect of the Group's jointly controlled entity which is accounted for using the equity method is set out below:

	Unaudited At 31 December 2011 HK\$'000	Audited At 30 June 2011 HK\$'000
	Non-current assets (note)	258,214
Current assets	54,198	50,190
Current liabilities	(14,687)	(14,019)
Non-current liabilities	(240,800)	(228,154)
	56,925	62,003

	Unaudited Six months ended 31 December 2011 HK\$'000	2010 HK\$'000
	Income recognised in profit or loss	5,743
Expenses recognised in profit or loss	11,672	10,870
Other comprehensive income	1,549	1,327

Note: The assets include properties held for development which represent prepaid lease payments of land use rights and direct reclamation costs for a piece of land situated at Tung Kok Tau in Shenzhen, the PRC with the land use right. The jointly controlled entity has paid all land premium and is in the process of negotiating with relevant government authorities for redevelopment due to the re-zoning and re-planning of the city on which the properties are located.



12. TRADE AND OTHER RECEIVABLES

At 31 December 2011, the balance of other receivables included receivables from home buyers who defaulted on repayment to banks, representing the loans taken over by the Group, of HK\$208,000 (30 June 2011: HK\$979,000) with collateral of properties and are measured at amortised cost at an effective interest rate of 5.85% (30 June 2011: 5.85%). For property sales, other than home loans, the Group allows an average credit period of 30 days (30 June 2011: 30 days) to its buyers. Rental receivable from tenants and service income receivables from customers are payable on presentation of invoices. The following is an aged analysis of trade receivables, net of allowance for doubtful debt presented based on invoice date at the end of the reporting period:

	Unaudited At 31 December 2011 <i>HK\$'000</i>	Audited At 30 June 2011 <i>HK\$'000</i>
0 – 60 days	12,251	9,926
Over 60 days	–	22
	12,251	9,948

Before accepting any new customer, the Group carries out assessment on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. 97% (30 June 2011: 95%) of the trade receivables are neither past due nor impaired and have good settlement repayment history.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$322,000 (30 June 2011: HK\$452,000) which are past due at the reporting date for which the Group has not provided for impairment loss. There has not been a significant change in credit quality and the management considers that the amounts are still recoverable. The Group does not hold any collateral over these balances. The average overdue age of these receivables is 31 days (30 June 2011: 32 days) overdue.

For the six months ended 31 December 2011



13. TRADE AND OTHER PAYABLES

At 31 December 2011, the balance of trade and other payables included trade payables of HK\$1,908,000 (30 June 2011: HK\$2,791,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	Unaudited At 31 December 2011 <i>HK\$'000</i>	Audited At 30 June 2011 <i>HK\$'000</i>
0 – 60 days	1,467	547
Over 60 days	441	2,244
	1,908	2,791

The other payables mainly include rental deposits of HK\$24,661,000 (30 June 2011: HK\$24,139,000) and receipt in advance of HK\$4,282,000 (30 June 2011: HK\$3,525,000).

14. BANK LOANS

	Unaudited At 31 December 2011 <i>HK\$'000</i>	Audited At 30 June 2011 <i>HK\$'000</i>
Secured	243,750	237,700
Unsecured	–	2,000
	243,750	239,700



14. BANK LOANS (Continued)

	Unaudited At 31 December 2011 <i>HK\$'000</i>	Audited At 30 June 2011 <i>HK\$'000</i>
Carrying amount repayable*:		
Within one year	25,000	79,490
More than one year, but not exceeding two years	25,000	17,320
More than two years, but not exceeding five years	193,750	142,890
	243,750	239,700
Less: Amounts due within one year shown under current liabilities	(25,000)	(79,490)
Amounts shown under non-current liabilities	218,750	160,210

* The amounts are based on scheduled repayment dates set out in the loan agreements.

The bank loans are secured by the investment properties situated in Shanghai, the PRC and are denominated in Hong Kong dollars.

The loans carried interest at variable rates ranging from 0.61% to 1.8% over Hong Kong Interbank Offered Rate per annum.

15. SHARE CAPITAL

	Number of shares		Amount	
	Unaudited At 31 December 2011	Audited At 30 June 2011	Unaudited At 31 December 2011 <i>HK\$'000</i>	Audited At 30 June 2011 <i>HK\$'000</i>
Ordinary shares of HK\$1.00 each				
Authorised	300,000,000	300,000,000	300,000	300,000
Issued	219,103,681	219,103,681	219,104	219,104



16. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS

The Company adopted a share option scheme on 21 December 2001 (the “**2001 Scheme**”). On 9 December 2011, an ordinary resolution was passed by the shareholders at the annual general meeting of the Company approving the adoption of a new share option scheme (the “**2011 Scheme**”) which will expire on 8 December 2021 and the simultaneous termination of the 2001 Scheme with effect from 9 December 2011. Both the 2001 Scheme and 2011 Scheme were adopted for the purpose of providing incentives to Directors, employees and eligible participants. Under both the 2001 Scheme and 2011 Scheme, the Board of Directors of the Company may grant share options (the “**Options**”) to executive directors, employees of the Company and its subsidiaries and such eligible participants at the discretion of the Board of Directors of the Company pursuant to the terms thereof, to subscribe for shares of the Company (the “**Shares**”) at a price per Share not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange’s daily quotation sheets on the date of grant of the relevant Option, which must be a trading day; (ii) the average of the closing price of a Share as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of grant of the relevant Option; and (iii) the nominal value of a Share.

On 25 October 2011, the Company granted a total of 21,900,000 Options under the 2001 Scheme to certain eligible participants including the Directors and director of the Company’s subsidiary (15,450,000 Options, in aggregate, being granted to such persons), employees of the Group (1,070,000 Options, in aggregate, being granted to such persons) and consultants of the Group (5,380,000 Options, in aggregate, being granted to such persons). All such Options may be exercised from 25 October 2011 to 24 October 2019 at an exercise price of HK\$1.13 per Share. The closing price of the Shares on 24 October 2011, being the date falling immediately before the date on which such Options were granted was HK\$1.12. The breakdown of the number of Options granted to each Director is set out in the column headed “Personal interests in underlying Shares pursuant to share options (long position)” in the table under the section headed “Directors’ interests and short positions in shares” in the Management Statement in this interim report. Save as disclosed, no other Option has been granted under the 2001 Scheme and 2011 Scheme since their adoption, and was outstanding as at 31 December 2011 and 30 June 2011.

During the six months ended 31 December 2011, no Option granted under the 2001 Scheme has been exercised, lapsed or cancelled.

The Binomial model has been used to estimate the fair value of the Options granted on 25 October 2011. The fair value of the Options determined as at the date of grant using the Binomial model was HK\$8,213,000.

The following input and assumptions were used to calculate the fair value of the Option:

Closing Share price on date of grant	HK\$1.13
Exercise price per Share	HK\$1.13
Life of the Option	8 years
Expected volatility	48%
Expected dividend yield	3.5%
Annual risk-free rate	1.3%

The Binomial option pricing model was developed for use in estimating the fair value of a traded option. Such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the Options granted on 25 October 2011 are significantly different from those of publicly traded options, any changes in the subjective input may materially affect the fair value estimate.

The Group recognised the total expense of HK\$8,213,000, as share-based payments, in relation to the Options granted by the Company for the six months ended 31 December 2011.



17. CONTINGENT LIABILITIES

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, the PRC. At 31 December 2011, the Group had given guarantees in respect of such home loans of HK\$65,473,000 (30 June 2011: HK\$86,200,000). The Directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of the low loan ratio.

18. RELATED PARTY TRANSACTIONS

Other than the amount due from a jointly controlled entity as shown in the condensed consolidated statement of financial position, the Group has entered into the following transactions with related companies during the period:

	Unaudited Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Rental and management fees paid	1,022	1,906
Consultancy service fees paid	500	500
Agency fees paid	504	347

Other outstanding balances with the following related companies, which were unsecured, interest free and repayable on demand, at 31 December 2011 and 30 June 2011 are as follows:

	Unaudited	Audited
	At 31 December 2011 HK\$'000	At 30 June 2011 HK\$'000
Deposits due from related companies included in trade and other receivables	350	347
Amounts due from related companies included in trade and other receivables	404	568
Amount due to a related company included in trade and other payables	500	500

The related companies are companies controlled by certain Directors of the Company.

The Group's key management personnel are all Directors, whose remuneration were in short-term employee benefits of HK\$1,275,000 (2010: HK\$1,190,000) and share-based payments of HK\$5,409,000 (2010: Nil) during the period.

Proforma Combined Balance Sheet of Affiliated Company



Details of advances given to an affiliated company as at 31 December 2011, which exceeded 8% under the assets ratio as defined under rule 13.16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) are as follows:

Affiliated company	Percentage of equity held by the Group	Amount of advances HK\$'000
Shenzhen Zhen Wah Harbour Enterprises Ltd. (“ Zhen Wah ”)	49%	240,800

The advances to Zhen Wah by the Group have been accounted for as amount due from a jointly controlled entity, details of which are disclosed in note 11 to the condensed consolidated financial statements.

The amount of advances are unsecured and repayable after the next twelve months from the end of the reporting period.

Pursuant to the continuing disclosure requirements under rule 13.22 of the Listing Rules, the proforma combined balance sheet of Zhen Wah and the attributable interest of the Group in Zhen Wah as at 31 December 2011 are disclosed as follows:

Proforma combined balance sheet of the affiliated company

	Proforma combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Non-current assets (<i>note</i>)	258,214	126,525
Current assets	54,198	26,557
Current liabilities	(14,687)	(7,197)
Non-current liabilities	(240,800)	(117,992)
Net assets	56,925	27,893

Note: The assets include properties held for development which represent prepaid lease payments of land use rights and direct reclamation costs for a piece of land situated at Tung Kok Tau in Shenzhen, the People's Republic of China with the land use right. Zhen Wah has paid all land premium and is in the process of negotiating with relevant government authorities for redevelopment due to the re-zoning and re-planning of the city on which the properties are located.