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 2015

INTERIM RESULTS

The board of directors (the "**Directors**") of Dynamic Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 December 2015 together with comparative figures for the corresponding period in 2014. The condensed consolidated financial statements of the Group for the six months ended 31 December 2015 are unaudited and have been reviewed by the audit committee and external auditor, Deloitte Touche Tohmatsu, of the Company.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Six months ended 31 December	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
		Unaudited	Unaudited
Revenue	*3*	**50,840**	51,468
Direct costs		**(10,444)**	(11,624)
Gross profit		**40,396**	39,844
Other income, gains and losses	*4*	**703**	12,930
Increase in fair value of investment properties	*9*	**47,593**	29,897
Administrative expenses		**(13,223)**	(12,817)
Selling expenses		**(326)**	(345)
Finance costs	*5*	**(2,200)**	(2,477)
Share of loss of a joint venture		**(5,359)**	(6,374)
Profit before taxation		**67,584**	60,658
Taxation	*6*	**(14,254)**	(4,355)
Profit for the period		**53,330**	56,303

		Six months ended 31 December	
		2015	2014
	Note	***HK$'000***	*HK$'000*
		Unaudited	Unaudited
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		**(120,796)**	12,350
Total comprehensive (expense) income for the period		**(67,466)**	68,653
Profit for the period attributable to:			
Owners of the Company		**52,720**	55,434
Non-controlling interest		**610**	869
		53,330	56,303
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(65,929)**	67,571
Non-controlling interest		**(1,537)**	1,082
		(67,466)	68,653
Earnings per share *(Hong Kong cents)*	*8*		
Basic		**23.73**	25.27
Diluted		**22.54**	23.75

Condensed Consolidated Statement of Financial Position

	Notes	**At 31 December 2015 *HK$'000* Unaudited**	At 30 June 2015 *HK$'000* Audited
Non-current Assets			
Property, plant and equipment		**1,833**	2,012
Investment properties	*9*	**1,929,265**	2,000,101
Interest in a joint venture	*10*	**82,208**	94,467
Amount due from a joint venture	*10*	**233,014**	239,924
		2,246,320	2,336,504
Current Assets			
Properties held for sale		**16,307**	17,440
Loan receivables		**–**	–
Trade and other receivables	*11*	**17,695**	14,815
Amount due from a non-controlling shareholder		**913**	970
Pledged bank deposits		**5,093**	7,488
Fixed bank deposits		**167,817**	167,844
Bank balances and cash		**86,451**	84,985
		294,276	293,542
Current Liabilities			
Trade and other payables	*12*	**60,325**	62,206
Tax payable		**97,462**	102,231
Dividend payable		**6,706**	–
Bank loans – due within one year		**7,590**	7,600
		172,083	172,037
Net Current Assets		**122,193**	121,505
Total Assets less Current Liabilities		**2,368,513**	2,458,009
Non-current Liabilities			
Bank loans – due after one year		**152,800**	164,592
Deferred tax liabilities		**273,496**	282,051
		426,296	446,643
Net Assets		**1,942,217**	2,011,366
Capital and Reserves			
Share capital		**223,554**	219,404
Reserves		**1,684,225**	1,755,390
Equity attributable to owners of the Company		**1,907,779**	1,974,794
Non-controlling interest		**34,438**	36,572
Total Equity		**1,942,217**	2,011,366

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**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.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, that are measured at their fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2015.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the board of Directors (the "**Board**") of the Company, 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 (the "**PRC**"). The Group's investment properties portfolio, which mainly consists of offices, shopping mall and carparks, are located in Shanghai and Beijing. The property sales segment includes sales of the Group's trading properties in Beijing.

These divisions, property rental and property sales analysed based on distinct geographical locations, 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			
	Six months ended 31 December (Unaudited)							
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT REVENUE								
REVENUE								
External sales	**18,678**	18,329	**32,162**	33,139	**–**	–	**50,840**	51,468
SEGMENT RESULT	**15,861**	21,519	**72,110**	48,237	**(102)**	(166)	**87,869**	69,590
Unallocated other income							**35**	12,102
Unallocated corporate expenses							**(12,761)**	(12,183)
Finance costs							**(2,200)**	(2,477)
Share of loss of a joint venture							**(5,359)**	(6,374)
Profit before taxation							**67,584**	60,658

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit (loss) from each segment without the allocation of central administration costs, exchange gain (loss), bank interest income, imputed interest income on amount due from a joint venture, finance costs and share of loss of a joint venture. This is the measure reported to the Board for the purposes of resources allocation and performance assessment.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Included in other income, gains and losses are:		
Bank interest income	**2,661**	3,103
Exchange (loss) gain, net	**(9,805)**	1,037
Imputed interest income on amount due from a joint venture	**6,926**	7,774
Imputed interest income on other receivables	**3**	5

5. FINANCE COSTS

	Six months ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Interest on bank borrowings	**2,200**	2,477

6. TAXATION

	Six months ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
	Unaudited	Unaudited
The tax charge (credit) comprises:		
Current tax in the PRC (other than Hong Kong)		
Current period	**6,089**	5,573
Deferred taxation	**8,165**	(1,218)
	14,254	4,355

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company and its subsidiaries operating in Hong Kong has no assessable profit for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% from 1 January 2008 onwards.

Certain subsidiaries of the Company incorporated in Hong Kong and the British Virgin Islands are subject to withholding tax ranging from 10% to 25% on their taxable rental income, management fee income and interest income in the PRC.

7. DIVIDENDS

	Six months ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Final dividend payable in respect of year ended 30 June 2015 of 3 Hong Kong cents (2014: 2.5 Hong Kong cents) per share	**6,706**	5,485

Subsequent to the end of the current interim period, the Directors of the Company have declared that an interim dividend of 2.5 Hong Kong cents (six months ended 31 December 2014: 2.5 Hong Kong cents) will be paid to the owners of the Company whose names appear on the register of members of the Company on 15 April 2016.

8. EARNINGS PER SHARE

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

	Six months ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**52,720**	55,434

	Six months ended 31 December	
	2015	2014
	Unaudited	Unaudited
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**222,203,681**	219,403,681
Effect of dilutive potential ordinary shares on share options	**11,730,057**	13,972,500
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**233,933,738**	233,376,181

9. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2015 (audited)	2,000,101
Exchange realignment	(118,429)
Increase in fair value of investment properties	47,593
At 31 December 2015 (unaudited)	**1,929,265**

The fair value of the Group's investment properties as at 30 June 2015 and 31 December 2015 has been arrived at on the basis of valuations carried out on those dates by Savills Valuation and Professional Services Limited, an independent firm of qualified professional valuers not connected with the Group with appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions or where appropriate by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties. The revaluation gave rise to a net gain arising from increase in fair value of HK$47,593,000 (six months ended 31 December 2014: HK$29,897,000) which has been recognised in profit or loss.

10. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE

	At 31 December 2015 *HK$'000* Unaudited	At 30 June 2015 *HK$'000* Audited
Cost of investment, unlisted	**142,222**	147,766
Share of post-acquisition loss and reserves	**(60,014)**	(53,299)
	82,208	94,467
Amount due from a joint venture	**233,014**	239,924

Particulars of the joint venture as at 31 December 2015 and 30 June 2015 are as follows:

Name of joint venture	Place of establishment	The Group's equity interest	Principal activity
Shenzhen Zhen Wah Harbour Enterprises Ltd. ("**Zhen Wah**")	PRC	49%	Operation ceased *(Note)*

Note: The operation period of Zhen Wah expired on 16 January 2014. Thereafter, Zhen Wah ceased its operation and is now in the process of liquidation.

Zhen Wah is a sino-foreign equity joint venture company and indirectly held by the Company. The Group is able to exercise 50% voting power in the joint venture, which is determined by the proportion of the Group's representatives in the board of directors of Zhen Wah. The operation period of Zhen Wah expired on 16 January 2014. Both joint venture partners of Zhen Wah have determined not to extend its operation period.

Based on the PRC laws and regulations and the related interpretations by an external PRC legal counsel engaged by the Group, after the expiry of the operation period, the legal identity of Zhen Wah still exists and the net assets of Zhen Wah will be distributed to the joint venture partners based on their equity contributions after the completion of the winding up. All the decision making of the voluntary winding up process requires the unanimous consent of both joint venture partners. Accordingly, the Directors of the Company continue to account for Zhen Wah as a joint venture of the Group using the equity method of accounting in these condensed consolidated financial statements.

The management of the Group has been discussing with the Chinese joint venture partner on relevant arrangements (which may require approvals from relevant PRC governmental authorities) regarding the winding up. As at 31 December 2015 and up to the date of this announcement, the winding up of Zhen Wah is underway, however the detailed plan to proceed with the winding up (including but not limited to the potential sale of Zhen Wah's assets) is subject to agreement between the Group and the Chinese joint venture partner.

The amount due from a joint venture is unsecured and to be 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 2015: 6%) per annum.

The Directors of the Company have assessed the recoverability of interest in a joint venture and amount due from a joint venture amounting to HK$82,208,000 and HK$233,014,000, respectively as at 31 December 2015. Based on the latest financial information of Zhen Wah, the Directors of the Company have concluded that the amounts will be fully recoverable.

11. TRADE AND OTHER RECEIVABLES

For property sales, the Group allows an average credit period of 30 days (30 June 2015: 30 days) to the buyers. Rentals 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 debts presented based on invoice date at the end of the reporting period:

	At 31 December 2015	At 30 June 2015
	HK$'000	*HK$'000*
	Unaudited	Audited
0–60 days	**634**	771
61–90 days	**178**	396
More than 90 days	**265**	20
	1,077	1,187

Included in the Group's trade receivable balances are debtors with a carrying amount of HK$1,077,000 (30 June 2015: HK$1,187,000) which are past due at the end of the reporting period 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 54 days (30 June 2015: 52 days) overdue.

Aging of past due but not impaired trade receivables

	At 31 December 2015	At 30 June 2015
	HK$'000	*HK$'000*
	Unaudited	Audited
Overdue:		
0–30 days	**381**	771
31–60 days	**253**	–
61–90 days	**178**	396
More than 90 days	**265**	20
Total	**1,077**	1,187

12. TRADE AND OTHER PAYABLES

At 31 December 2015, the balance of trade and other payables included trade payables of HK$1,636,000 (30 June 2015: HK$1,648,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	At 31 December 2015 *HK$'000* Unaudited	At 30 June 2015 *HK$'000* Audited
0–60 days	**828**	609
Over 60 days	**808**	1,039
	1,636	1,648

The other payables mainly include rental deposits of HK$29,326,000 (30 June 2015: HK$29,578,000) and receipt in advance of HK$4,195,000 (30 June 2015: HK$4,065,000).

RESULTS REVIEW

For the six months ended 31 December 2015, the Group reported total revenue of HK$50,840,000 (2014: HK$51,468,000) and gross profit of HK$40,396,000 (2014: HK$39,844,000). These results were principally attributable to the stable rental income of investment properties of the Group denominated in renminbi ("**RMB**") with improved gross profit margin of 79% (2014: 77%) amid the currency fluctuation of RMB in the period as further explained below.

During the period under review, the Group accounted for other income of HK$703,000 (2014: HK$12,930,000), which was mainly interest income and reduced significantly, due to net exchange loss of HK$9,805,000 (2014: net exchange gain of HK$1,037,000) arisen from the fluctuation of RMB devalued against Hong Kong dollar ("**HKD**"). In terms of capital assets, the Group recognised an aggregate increase of HK$47,593,000 (2014: HK$29,897,000) in the fair value of the investment properties.

Taken account of the effect of currency translation from devalued functional currency in RMB to presentation currency in HKD, the profit for the period attributable to shareholders of the Company was HK$52,720,000 (2014: HK$55,434,000), which dropped by 5% from that of the last corresponding period, with basic earnings per share of HK$0.2373 (2014: HK$0.2527).

Together with other comprehensive expense of HK$120,796,000 (2014: comprehensive income of HK$12,350,000) as exchange difference on translation from depreciated (2014: appreciated) functional currency in RMB to presentation currency in HKD, the total comprehensive expense attributable to shareholders of the Company amounted to HK$65,929,000 (2014: comprehensive income of HK$67,571,000).

BUSINESS REVIEW

In the period under review, the overall revenue and results of the Group were principally derived from its operating segment in terms of property rental in the mainland China, which recorded increments against the last corresponding period in RMB as functional currency. Upon translation into presentation currency in HKD, the financial performance and position of the Group were adversely affected due to the devaluation of RMB against HKD in the period.

The rental income of the Group generated from its investment properties in two major cities, Shanghai and Beijing amounted to HK$50,840,000 (2014: HK$51,468,000), which represented all (2014: all) of the consolidated revenue income of the Group in the period and a slight drop of 1% as compared with that of the last corresponding period. And the fair value of these investment properties of the Group comprising shopping mall and carparks in Beijing and office units in Shanghai appreciated in the sum of HK$47,593,000 (2014: HK$29,897,000) in the period. As such, the segment results of property rental showed a profit of HK$87,971,000 (2014: HK$69,756,000) and a rise of 26% over the last corresponding period.

In Beijing, the rental income generated from the well-established community mall of the Group in Chaoyang District slightly improved with occupancy rate over 95% throughout the period. In addition, the segment of property rental reported rental income of HK$18,678,000 (2014: HK$18,329,000) which accounted for 37% of the total revenue of the Group and increased fair value of HK$2,440,000 (2014: HK$8,452,000), contributing to a profit of HK$15,861,000 (2014: HK$21,519,000) in the segment results in the period. Due to limited residential units held for sale by the Group in Beijing, there was nil (2014: nil) proceeds of property sales of the Group making an administrative loss of HK$102,000 (2014: HK$166,000) in the segment results of property sales in the period.

In Shanghai, the quality offices of the Group known as "Eton Place" which is in the prominent financial location of Little Lujiazui in Pudong attained virtually full occupancy with slightly increased rental rate during the period. Yet, the rental income was in the sum of HK$32,162,000 (2014: HK$33,139,000) which shared 63% of the total revenue of the Group and showed a slight decrease of 3% against the last corresponding period pursuant to adverse exchange effect as mentioned above. Under the positive sentiment of office market in Pudong as growing financial hub in China, these investment properties appreciated the fair value in the sum of HK$45,153,000 (2014: HK$21,445,000), and these segment results recorded a total profit of HK$72,110,000 (2014: HK$48,237,000) in the period, surging 49% over the last corresponding period.

As regards Shenzhen Zhen Wah Harbour Enterprises Ltd. ("**Zhen Wah**"), a joint venture in which the Company holds 49% that holds in a piece of land located in Tung Kok Tau, Nanshan District, Shenzhen ("**Land**"), a portion of the southern part of the Land was granted to the Shenzhen municipal government to occupy for the purpose of constructing a 15-mile long thorough area of coastal recreation leisure belt at Shenzhen Bay. The Company believes that the works will generally improve and upgrade the surrounding area of the Land. Moreover, due to recent explosion of gas and oil tanks in Tianjin, the operation of gas and oil tanks nearby the Land had officially been closed down. The Company has closely monitored the position of the Land and continued to negotiate with the Chinese joint venture partner and relevant governmental authorities on a master proposal for feasibility, comprehensive planning and design of the Land ("**Discussion Proposal**"). The Discussion Proposal included detailed matters such as compensation for land expropriation and relocation regarding a portion of the Land for development of city infrastructure as well as increasing the plot ratio and rezoning certain areas with an option to splitting the Land between the joint venture partners and the related tax implications ("**Re-development Plan**").

Due to the complexities that the Re-development Plan involved and the prolonged divergent stance of the joint venture parties, no material or significant agreement regarding the Re-development Plan has been reached so far and no approval or clearance has been obtained in relation thereto.

If the joint venture partners cannot come to terms or relevant official approvals cannot be obtained, based on PRC legal advice received by the Group, the Land will eventually be sold by way of public auction or other applicable means in accordance with PRC laws, and any surplus (after settlement of all relevant liabilities) will be distributed to the joint venture partners in accordance with their equity contributions.

The Company has been exploring with its legal advisers on the appropriate measures available to the Company to expedite the liquidation of Zhen Wah, including the detailed procedures and pros and cons of petitioning for a winding up of Zhen Wah under the supervision of the PRC courts.

PROSPECTS

It is anticipated that the economy in China will evolve into a new normality of slower but more resilient growth, driving growth on emerging sectors such as the services industry and domestic consumption, bolstering leasing demand of office and retail sectors.

In Beijing, the launch of new shopping areas, strong growth of on-line retail sales and sluggish luxury market will continue to reduce rental growth of retail market. Nevertheless, the increasing urban disposable income and consumption from local growing middle-class will stabilise leasing activities of mid-end and mass-market retailers. And the Group will continue to strategically optimise tenant mix and brand portfolio from time to time in line with shoppers' need and lifestyle at the mall of the Group for sustaining high occupancy rate and constant revenue to the Group.

In Shanghai, office demand from small- and medium-sized domestic enterprises of financial and services sectors will remain firm, particularly in Pudong given its strong position as financial hub, despite impending glut of premier office supply and infrastructural construction nearby "Eton Place". To maintain high occupancy rate and steady recurring revenue, the Group will continue to strive for retention and expansion of existing tenants and target on small- and medium-sized domestic tenants for new leases at competitive rental strategies.

The 49% interests of the Company in Zhen Wah is an important investment of the Group. Shareholders should be assured that the Company has been taking and will continue to take the best available measures with a view to protecting the Company's interests in the context of the liquidation of Zhen Wah. The issues involved are however complex and delicate, involving not only the joint venture parties but also various governmental authorities. As disclosed in the annual report of the Company for the year ended 30 June 2015, it is not possible to set any timetable for the negotiations to come to a conclusion but if it becomes clear that a satisfactory resolution cannot be reached by agreement, the Company will take such measures as are available to expedite the liquidation based on legal advice received including a petition for the winding up of Zhen Wah under the supervision of the PRC courts.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 2.5 Hong Kong cents (2014: 2.5 Hong Kong cents) per share for the six months ended 31 December 2015 to the shareholders of the Company whose names appear on the register of members on 15 April 2016. The warrants for the interim dividend are expected to be despatched to those entitled on or about 29 April 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 11 April 2016 to Friday, 15 April 2016 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 8 April 2016.

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

Throughout the six months ended 31 December 2015, the Company has applied the principles and has complied with the code provisions set out in the Corporate Governance Code stipulated in Appendix 14 to the Listing Rules.

By Order of the Board
Dynamic Holdings Limited
CHAN Wing Kit, Frank
Chief Executive Officer

Hong Kong, 26 February 2016

As at the date of this announcement, the Board of the Company comprise Mr. TAN Harry Chua (Chairman), Dr. CHAN Wing Kit, Frank (Chief Executive Officer), Mr. TAN Lucio Jr. Khao, Mr. TAN Michael Gonzales, Mr. PASCUAL Ramon Sy and Mr. CHIU Siu Hung, Allan as executive Directors; and Mr. CHONG Kim Chan, Kenneth, Dr. SY Robin Chua, Dr. FOK Kam Chu, John and Mr. GO Patrick Lim as independent non-executive Directors.