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 2016

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 2016 together with comparative figures for the corresponding period in 2015. The condensed consolidated financial statements of the Group for the six months ended 31 December 2016 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	
		2016	2015
	Notes	***HK\$'000***	*HK\$'000*
		Unaudited	Unaudited
Revenue	*3*	**51,121**	50,840
Direct costs		**(10,752)**	(10,444)
Gross profit		**40,369**	40,396
Other income, gains and losses	*4*	**2,898**	703
Increase in fair value of investment properties	*9*	**42,974**	47,593
Administrative expenses		**(12,766)**	(13,223)
Selling expenses		**(574)**	(326)
Finance costs	*5*	**(1,992)**	(2,200)
Share of loss of a joint venture		**(5,123)**	(5,359)
Profit before taxation		**65,786**	67,584
Taxation	*6*	**(7,111)**	(14,254)
Profit for the period		**58,675**	53,330

	Note	Six months ended 31 December 2016 HK$'000 Unaudited	2015 HK$'000 Unaudited
Other comprehensive expense			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		**(88,542)**	(120,796)
Total comprehensive expense for the period		**(29,867)**	(67,466)
Profit for the period attributable to:			
Owners of the Company		**58,003**	52,720
Non-controlling interests		**672**	610
		58,675	53,330
Total comprehensive expense attributable to:			
Owners of the Company		**(28,986)**	(65,929)
Non-controlling interests		**(881)**	(1,537)
		(29,867)	(67,466)
Earnings per share ***(Hong Kong cents)***	*8*		
Basic		**25.80**	23.73
Diluted		**24.55**	22.54

Condensed Consolidated Statement of Financial Position

	Notes	At 31 December 2016 *HK$'000* Unaudited	At 30 June 2016 *HK$'000* Audited
Non-current Assets			
Property, plant and equipment		**2,343**	1,743
Investment properties	*9*	**1,882,371**	1,926,240
Interest in a joint venture	*10*	**62,778**	71,570
Amount due from a joint venture	*10*	**231,736**	235,184
		2,179,228	2,234,737
Current Assets			
Properties held for sale		**15,154**	15,947
Loan receivables		**–**	–
Trade and other receivables	*11*	**31,952**	17,589
Amount due from a non-controlling shareholder		**855**	895
Pledged bank deposits		**11,900**	14,249
Fixed bank deposits		**145,874**	161,121
Bank balances and cash		**91,088**	83,598
		296,823	293,399
Current Liabilities			
Trade and other payables	*12*	**58,173**	61,670
Tax payable		**90,314**	96,800
Dividend payable		**6,750**	–
Bank loans		**145,800**	149,593
		301,037	308,063
Net Current Liabilities		**(4,214)**	(14,664)
Total Assets less Current Liabilities		**2,175,014**	2,220,073
Non-current Liability			
Deferred tax liabilities		**274,456**	283,573
Net Assets		**1,900,558**	1,936,500
Capital and Reserves			
Share capital		**225,016**	224,419
Reserves		**1,642,269**	1,677,927
Equity attributable to owners of the Company		**1,867,285**	1,902,346
Non-controlling interests		**33,273**	34,154
Total Equity		**1,900,558**	1,936,500

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 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.

In preparing the condensed consolidated financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group. While recognising that the Group had net current liabilities of HK$4,214,000 at 31 December 2016, the Directors are of the opinion the Group will be able to meet its financial obligations as they all due for the foreseeable future as the Group has sufficient and steady projected future cash inflow and available unutilised bank borrowing facilities. In addition, the Directors expect to renew the existing banking facilities on similar terms and conditions when the existing banking facilities of the Group mature (if necessary). Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

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 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016.

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 PRC. 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 Hong Kong Financial Reporting Standard 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)							
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT REVENUE								
REVENUE								
External sales	**17,436**	18,678	**33,685**	32,162	**–**	–	**51,121**	50,840
SEGMENT RESULT	**12,680**	15,861	**69,818**	72,110	**(99)**	(102)	**82,399**	87,869
Unallocated other income							**2,399**	35
Unallocated corporate expenses							**(11,897)**	(12,761)
Finance costs							**(1,992)**	(2,200)
Share of loss of a joint venture							**(5,123)**	(5,359)
Profit before taxation							**65,786**	67,584

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	
	2016	2015
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Included in other income, gains and losses are:		
Bank interest income	**1,913**	2,661
Exchange loss, net	**(6,409)**	(9,805)
Imputed interest income on amount due from a joint venture	**6,895**	6,926
Imputed interest income on other receivables	**1**	3

5. FINANCE COSTS

	Six months ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Interest on bank borrowings	**1,992**	2,200

6. TAXATION

	Six months ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
	Unaudited	Unaudited
The tax charge comprises:		
Current tax in the PRC (other than Hong Kong)		
Current period	**3,509**	6,089
Deferred taxation	**3,602**	8,165
	7,111	14,254

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has no assessable profit for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC entity is 25%.

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	
	2016	2015
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Final dividend payable in respect of year ended 30 June 2016 of 3 Hong Kong cents (2015: 3 Hong Kong cents) per share	**6,750**	6,706

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 2015: 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 13 April 2017.

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	
	2016	2015
	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)	**58,003**	52,720

	Six months ended 31 December	
	2016	2015
	Unaudited	Unaudited
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**224,811,901**	222,203,681
Effect of dilutive potential ordinary shares on share options	**11,448,153**	11,730,057
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**236,260,054**	233,933,738

9. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2016 (audited)	1,926,240
Exchange realignment	(86,843)
Increase in fair value of investment properties	42,974
At 31 December 2016 (unaudited)	**1,882,371**

The fair value of the Group's investment properties as at 30 June 2016 and 31 December 2016 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 with adoption of the direct comparison approach by making reference to market comparable sales transactions as available in the market and where appropriate, adopted the investment method by capitalising the rental incomes of the properties derived from the existing tenancies with due allowance for the reversionary income potential of the properties. The revaluation gave rise to a net gain arising from increase in fair value of HK$42,974,000 (six months ended 31 December 2015: HK$47,593,000) which has been credited to profit or loss.

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

	At 31 December 2016 *HK$'000* **Unaudited**	At 30 June 2016 *HK$'000* Audited
Cost of investment, unlisted	**133,157**	136,345
Share of post-acquisition losses and reserves	**(70,379)**	(64,775)
	62,778	71,570
Amount due from a joint venture	**231,736**	235,184

Particulars of the joint venture as at 31 December 2016 and 30 June 2016 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 and an application was lodged to compulsorily liquidate Zhen Wah. PRC court accepted the application for compulsory liquidation of Zhen Wah in July 2016.

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 and even under liquidation process, 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 liquidation. The Directors of the Company expect that the liquidation process is not expected to complete within one year.

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 2016: 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$62,778,000 and HK$231,736,000, respectively as at 31 December 2016. Based on the latest financial information and fair value of prepaid lease payments 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 2016: 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 2016	At 30 June 2016
	HK$'000	*HK$'000*
	Unaudited	Audited
0–60 days	**5,231**	8,074
61–90 days	**211**	–
More than 90 days	**812**	277
	6,254	8,351

Included in the Group's trade receivable balances are debtors with a carrying amount of HK$2,351,000 (30 June 2016: HK$2,464,000) 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 103 days (30 June 2016: 50 days) overdue.

Aging of past due but not impaired trade receivables

	At 31 December 2016	At 30 June 2016
	HK$'000	*HK$'000*
	Unaudited	Audited
Overdue:		
0–30 days	**1,071**	1,380
31–60 days	**257**	807
61–90 days	**211**	–
More than 90 days	**812**	277
	2,351	2,464

12. TRADE AND OTHER PAYABLES

At 31 December 2016, the balance of trade and other payables included trade payables of HK$1,017,000 (30 June 2016: HK$1,951,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	At 31 December 2016 *HK$'000* **Unaudited**	At 30 June 2016 *HK$'000* Audited
0–60 days	**527**	845
Over 60 days	**490**	1,106
	1,017	1,951

The other payables mainly include rental deposits of HK$28,356,000 (30 June 2016: HK$29,307,000) and receipt in advance of HK$3,548,000 (30 June 2016: HK$3,454,000).

RESULTS REVIEW

For the six months ended 31 December 2016, the Group reported a total revenue of HK$51,121,000 (2015: HK$50,840,000) and gross profit of HK$40,369,000 (2015: HK$40,396,000). These results were principally attributable to the rental income of investment properties of the Group denominated in renminbi ("**RMB**"), with gross profit margin of 79% (2015: 79%).

During the period under review, the Group accounted for other income of HK$2,898,000 (2015: HK$703,000), which was mainly arisen from imputed interest income and net exchange loss of HK$6,409,000 (2015: HK$9,805,000). The net exchange loss was due to the fluctuation of RMB as devalued against Hong Kong dollar ("**HKD**") at about 4.7% (2015: 6.2%) in the period. The Group recognised an aggregate increase of HK$42,974,000 (2015: HK$47,593,000) in the fair value of its investment properties. Due to reduction of related enterprise income tax and deferred tax, the taxation for the period was HK$7,111,000 (2015: HK$14,254,000).

After accounted for the foregoing, the profit attributable to shareholders of the Company amounted to HK$58,003,000 (2015: HK$52,720,000), which was increased by 10% from that of the last corresponding period with basic earnings per share of HK$0.2580 (2015: HK$0.2373).

Taken into account of other comprehensive expense of HK$88,542,000 (2015: HK$120,796,000) resulting from the exchange difference on translation from depreciated functional currency in RMB to presentation currency in HKD, the total comprehensive expense attributable to shareholders of the Company amounted to HK$28,986,000 (2015: HK$65,929,000).

BUSINESS REVIEW

In the period under review, the revenue and results of the Group were principally derived from its operating segment of property rental in the mainland China denominated in RMB, which performed steadily as compared with those of the last corresponding period.

The rental income of the Group generated from its investment properties in two major cities, Shanghai and Beijing amounted to RMB44,609,000 (2015: RMB41,660,000), showing an increase of 7% as compared with that of last corresponding period. Such rental income presented in the financial statements in the sum of HK$51,121,000 (2015: HK$50,840,000), which represented 100% (2015: 100%) of the consolidated revenue of the Group in the 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 RMB37,500,000 (2015: RMB39,000,000), translating into HK$42,974,000 (2015: HK$47,593,000) in the period. As such, the segment results of property rental reported a profit of RMB71,989,000 (2015: RMB72,087,000), translating into HK$82,498,000 (2015: HK$87,971,000).

In Beijing, the rental income generated from the well-established community mall of the Group in Chaoyang District was stable with average occupancy rate of over 95% (2015: over 95%) throughout the period. In addition, the rental income of this segment in the period totalled RMB15,214,000 (2015: RMB15,306,000). The rental income of this segment translated into HK$17,436,000 (2015: HK$18,678,000) which accounted for 34% (2015: 37%) of the total revenue of the Group. The fair value of these investment properties appreciated in the sum of RMB1,500,000 (2015: RMB2,000,000), translated into HK$1,719,000 (2015: HK$2,441,000), and contributing to a profit of HK$12,680,000 (2015: HK$15,861,000) in the segment results of property rental in Beijing in the period. Due to limited residential units held for sale by the Group in Beijing, there was nil (2015: nil) proceeds of property sales of the Group resulting in an administrative loss of HK$99,000 (2015: HK$102,000) in the segment results of property sales in the period.

In Shanghai, "Eton Place", the Group's quality offices located in the prominent financial centre of Little Lujiazui in Pudong, attained almost full occupancy with improved rental rate during the period. And the rental income amounted to RMB29,394,000 (2015: RMB26,355,000), representing an increase of 12% from that of the last corresponding period. It translated into HK$33,685,000 (2015: HK$32,162,000) which accounted for 66% (2015: 63%) of the total revenue of the Group. The fair value of these investment properties appreciated in the sum of RMB36,000,000 (2015: RMB37,000,000), translating into HK$41,255,000 (2015: HK$45,152,000), and the segment results of property rental in Shanghai recorded a total profit of HK$69,818,000 (2015: HK$72,110,000) in the period.

During the period under review, Shenzhen Zhen Wah Harbour Enterprises Ltd. ("**Zhen Wah**", a joint venture in which the Company holds 49%), which holds a piece of land located in Tung Kok Tau, Nanshan District, Shenzhen ("**Land**"), commenced compulsory liquidation in July 2016 under supervision of the PRC court and management of a liquidation committee ("**Liquidation Committee**") as nominated by the PRC court.

The Group has been closely monitoring the liquidation proceedings with the assistance of its legal advisers and has lodged with the Liquidation Committee claims for creditor's debts against Zhen Wah. Meanwhile, the Group has been actively working with the Liquidation Committee, relevant official authorities and Chinese joint venture partner regarding such liquidation and a proposal for re-zoning, compensation for demolition, relocation and increase of gross developable area of the Land.

Due to the complexity of issues involved in the liquidation of Zhen Wah including the aforesaid matters, the PRC court has accepted the application lodged by the Liquidation Committee to extend the period of compulsory liquidation of Zhen Wah for six months up to July 2017.

PROSPECTS

Looking ahead, the economy of China is generally expected to continue to grow at a slower pace in view of uncertainty in global economy and fluctuating in the exchange rate of RMB. It is anticipated that the PRC government will adopt monetary policy to maintain a stable exchange rate of RMB, stabilise investments, and in particular, encourage investments in the official national development of high-end service industries and focus on domestic consumption that will continue to sustain leasing demand of office and retail sectors.

In Beijing, strong competition from online retailers and increasing supply of retail space will constrain rental growth for the retail property market. However, it is expected that the growing urban disposable income and expenditure per capita will sustain mid-range and mass-market retailers resulting in a stabilising effect on rental of mid-range and mass-market retail property. The Group will continue to optimise leasing and marketing strategies for maintaining high occupancy rate and stable revenue to the Group.

In Shanghai, it is expected that office market in Pudong as financial hub will remain stable with active leasing demand from the finance and other professional sectors. However, the rental growth is expected to face pressure due to impending new supply of premier office. To maintain high occupancy rate and stable income, the Group will continue to adopt competitive rental strategies.

The Group will continue to act proactively to safeguard the best interests of the Company in the context of compulsory liquidation of Zhen Wah. However, the issues involved in the compulsory liquidation of Zhen Wah are complex, involving not only the PRC court but also various governmental authorities and other related parties. There is no assurance that the liquidation may not be subject to significant delay, oppositions and/or obstructions. There may be further dispute or litigation with respect to the matters of Zhen Wah and/or its assets for safeguarding the best interests of the Group.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 2.5 Hong Kong cents (2015: 2.5 Hong Kong cents) per share for the six months ended 31 December 2016 to the shareholders of the Company whose names appear on the register of members on 13 April 2017. The warrants for the interim dividend are expected to be despatched to those entitled on or about 28 April 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 10 April 2017 to Thursday, 13 April 2017 (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, 7 April 2017.

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 2016, the Company has applied the principles and has complied with the code provisions as 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, 24 February 2017

As at the date of this announcement, the Board of the Company comprises 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, Mr. CHUA Joseph Tan and Mr. CHIU Siu Hung, Allan as executive Directors; and Mr. CHONG Kim Chan, Kenneth, Dr. SY Robin Chua, Dr. FOK Kam Chu, John, Mr. GO Patrick Lim and Mr. TAN Kenway Hao as independent non-executive Directors.