DYNAMIC HOLDINGS LIMITED

達 力 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 29)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

INTERIM RESULTS

The board of directors (the "**Directors**") of Dynamic Holdings Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 December 2018 together with comparative figures for the corresponding period in 2017. The condensed consolidated financial statements of the Group for the six months ended 31 December 2018 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	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**53,286**	54,536
Direct costs		**(11,781)**	(12,189)
Gross profit		**41,505**	42,347
Other income, gains and losses	*4*	**6,206**	14,583
Increase in fair value of investment properties	*8*	**14,923**	47,408
Administrative expenses		**(14,557)**	(14,323)
Selling expenses		**(469)**	(487)
Finance costs		**(2,209)**	(1,562)
Share of loss of a joint venture		**(5,084)**	(4,852)
Profit before taxation		**40,315**	83,114
Taxation	*5*	**4,833**	(2,900)
Profit for the period		**45,148**	80,214

	Note	Six months ended 31 December 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		**(82,932)**	78,876
Total comprehensive (expense) income for the period		**(37,784)**	159,090
Profit for the period attributable to:			
Owners of the Company		**44,418**	78,876
Non-controlling interests		**730**	1,338
		45,148	80,214
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(37,033)**	156,376
Non-controlling interests		**(751)**	2,714
		(37,784)	159,090
Earnings per share ***(Hong Kong cents)***	*7*		
Basic		**19.69**	35.05
Diluted		**18.68**	33.13

Condensed Consolidated Statement of Financial Position

	Notes	At 31 December 2018 HK$'000 (Unaudited)	At 30 June 2018 HK$'000 (Audited)
Non-current Assets			
Property, plant and equipment		**2,418**	1,859
Investment properties	*8*	**2,070,532**	2,136,283
Interest in a joint venture	*9*	**71,816**	80,205
Amount due from a joint venture	*9*	**236,420**	238,283
Other asset		**1,369**	1,423
		2,382,555	2,458,053
Current Assets			
Properties held for sale		**15,509**	16,192
Loan receivables		**–**	–
Trade and other receivables	*10*	**37,510**	37,796
Amount due from a non-controlling shareholder		**873**	907
Pledged bank deposits		**30,794**	30,521
Fixed bank deposits		**151,414**	163,799
Bank balances and cash		**119,432**	94,071
		355,532	343,286
Current Liabilities			
Trade and other payables	*11*	**45,732**	47,008
Tax payable		**91,871**	94,718
Dividend payable		**9,133**	–
Bank loans – due within one year		**7,756**	7,761
		154,492	149,487
Net Current Assets		**201,040**	193,799
Total Assets less Current Liabilities		**2,583,595**	2,651,852
Capital and Reserves			
Share capital		**228,324**	225,174
Reserves		**1,878,069**	1,923,824
Equity attributable to owners of the Company		**2,106,393**	2,148,998
Non-controlling interests		**37,435**	38,186
Total Equity		**2,143,828**	2,187,184
Non-current Liabilities			
Bank loans – due after one year		**123,882**	127,759
Deferred tax liabilities		**301,994**	322,594
Long-term rental deposits received		**13,891**	14,315
		439,767	464,668
		2,583,595	2,651,852

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**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 July 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies on application of HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the property rental and property sales.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 July 2018.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The application of the HKFRS 15 has no significant impact on the timing and amounts of revenue in the current interim period and retained profits at 1 July 2018.

2.2 Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments"

In the current interim period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities, and ii) expected credit losses ("**ECL**") for financial assets, and iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Directors reviewed and assessed the Group's financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date. There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including amount due from a joint venture, loan receivables, trade and other receivables, amount due from a non-controlling shareholder, bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 July 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 2.2.2.

2.2.2 Summary of effects arising from initial application of HKFRS 9

(a) Classification and measurement of financial assets and financial liabilities

The adoption of HKFRS 9 does not have any impact on the classification and measurement of financial assets and financial liabilities.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which used a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of amount due from a joint venture, loan receivables, other receivables, amount due from a non-controlling shareholder, bank deposits and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 July 2018, the Group has assessed and reviewed the existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and no additional impairment loss was identified.

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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, the PRC.

The revenue from property rental is recognised over time and the revenue from property sales is recognised at a point in time.

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)							
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT REVENUE								
REVENUE								
External sales	**18,276**	17,941	**35,010**	36,595	**–**	–	**53,286**	54,536
SEGMENT RESULT	**13,175**	27,119	**43,815**	62,213	**(94)**	(95)	**56,896**	89,237
Unallocated other income							**4,336**	13,522
Unallocated corporate expenses							**(13,624)**	(13,231)
Finance costs							**(2,209)**	(1,562)
Share of loss of a joint venture							**(5,084)**	(4,852)
Profit before taxation							**40,315**	83,114

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 (loss) gain, 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 of the Company for the purposes of resources allocation and performance assessment.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Included in other income, gains and losses are:		
Bank interest income	**2,299**	1,552
Exchange (loss) gain, net	**(5,058)**	5,029
Imputed interest income on amount due from a joint venture	**6,871**	6,711

5. TAXATION

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The tax (credit) charge comprises:		
Current tax in the PRC (other than Hong Kong)		
Current period	**3,566**	3,761
Deferred tax credit	**(8,399)**	(861)
	(4,833)	2,900

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 subsidiary is 25% for both periods.

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.

6. DIVIDENDS

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Final dividend payable in respect of year ended 30 June 2018 of 4 Hong Kong cents (2017: 3 Hong Kong cents) per share	**9,133**	6,752

During the current interim period, a final dividend of 4 Hong Kong cents per share in respect of the year ended 30 June 2018 (2017: 3 Hong Kong cents per share in respect of the year ended 30 June 2017) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the interim period amounted to HK$9,133,000 (six months ended 31 December 2017: HK$6,752,000).

In respect of an interim dividend for the six months ended 31 December 2018, the Company will convene a separate meeting of the Board on 12 March 2019 to consider and, if appropriate, approve, among other matters, the declaration and payment of an interim dividend for such period.

7. 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	
	2018	2017
	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)	**44,418**	78,876

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**225,560,909**	225,066,181
Effect of dilutive potential ordinary shares on share options	**12,228,316**	12,998,662
Number of ordinary shares for the purpose of diluted earnings per share	**237,789,225**	238,064,843

8. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2018 (audited)	2,136,283
Exchange realignment	(80,674)
Increase in fair value of investment properties	14,923
At 31 December 2018 (unaudited)	**2,070,532**

The fair value of the Group's investment properties (including commercial and car parking portion and office unit) as at 30 June 2018 and 31 December 2018 has been arrived at on the basis of valuations carried out 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 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$14,923,000 (six months ended 31 December 2017: HK$47,408,000) which has been recognised in profit or loss. All the investment properties are situated in the PRC.

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

	At 31 December 2018 *HK$'000* **(Unaudited)**	At 30 June 2018 *HK$'000* (Audited)
Cost of investment, unlisted	**161,796**	164,826
Share of post-acquisition losses and reserves	**(89,980)**	(84,621)
	71,816	80,205
Amount due from a joint venture	**236,420**	238,283

Note:

Shenzhen Zhen Wah Harbour Enterprises Ltd. ("**Zhen Wah**") was a sino-foreign equity joint venture company and indirectly held by the Company. The Group was able to exercise 50% voting power in the joint venture, which was determined by the proportion of the Group's representatives in the board of directors of Zhen Wah.

The Group had lodged petitions for international arbitrations in respect of the dispute with the Chinese joint venture partner as to the percentages of equity interest held in Zhen Wah in prior years. Two arbitral proceedings were heard and two arbitral awards were made by China International Economic and Trade Arbitration Commission in 2008 and 2010.

Before the arbitrations, the Group injected RMB42,840,000 as investment cost to Zhen Wah, representing 80% of equity interests in Zhen Wah. Pursuant to the arbitral award made in 2008, the registered capital of Zhen Wah was confirmed to be RMB21,000,000, of which RMB10,290,000 and RMB10,710,000 were contributed by the Group and the Chinese joint venture partner, respectively, and that the equity interests of Zhen Wah were held by the Group and the Chinese joint venture partner as to 49% and 51%, respectively. The additional capital contribution of RMB32,550,000 by the Group was considered as advances to Zhen Wah by the Group.

Also, the arbitral award made in 2010 supported the distribution of profit arising from relevant income generated from a piece of land held by Zhen Wah located in Tung Kok Tau, Shenzhen, the PRC before re-development entitled by the Group should be 80%.

The assets and liabilities of Zhen Wah were deconsolidated and the Group's share of net assets and results in Zhen Wah had been accounted for as a joint venture under the equity method based on the Group's 49% equity interest in Zhen Wah since the year ended 30 June 2009.

The distribution of profit arising from relevant income was accounted for under the equity method based on the Group's 49% equity interest in Zhen Wah. The additional share of 31% up to 31 December 2018 which has not been recognised by the Group amounted to HK$10,368,000 (30 June 2018: HK$10,368,000), as the Directors consider the result of the arbitration is subject to the agreement of the Chinese joint venture partner.

The operation period of Zhen Wah expired on 16 January 2014. Both joint venture partners of Zhen Wah determined not to extend its operation period and an application was lodged to liquidate Zhen Wah in prior year. The PRC court accepted the application for liquidation of Zhen Wah and appointed a law firm in the PRC as the liquidation committee 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 expect that the liquidation process is not expected to complete within one year. Accordingly, the Directors 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 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 2018: 6%) per annum.

The Directors have assessed the recoverability of interest in a joint venture and amount due from a joint venture amounting to HK$71,816,000 and HK$236,420,000, respectively as at 31 December 2018. Based on the latest financial information and fair value of net assets of Zhen Wah, the Directors have concluded that the amounts will be fully recoverable.

Particulars of the joint venture as at 31 December 2018 and 30 June 2018 are as follows:

Name of joint venture	**Place of establishment**	**The Group's equity interest**	**Principal activity**
Shenzhen Zhen Wah Harbour Enterprises Ltd.	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.

10. TRADE AND OTHER RECEIVABLES

For property sales, the Group allows an average credit period of 30 days (30 June 2018: 30 days) to the buyers. Rentals receivable from tenants are payable on presentation of invoices.

The following is an aged analysis of trade receivables of HK$8,309,000 (30 June 2018: HK$8,619,000), net of allowance for doubtful debts of HK$3,584,000 (30 June 2018: HK$3,299,000), presented based on invoice date at the end of the reporting period:

	At 31 December 2018 *HK$'000* **(Unaudited)**	At 30 June 2018 *HK$'000* (Audited)
0–60 days	**3,145**	3,769
61–90 days	**107**	443
More than 90 days	**1,473**	1,108
	4,725	5,320

Included in the Group's trade receivable balances are debtors with a carrying amount of HK$1,913,000 (30 June 2018: HK$2,077,000) 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 105 days (30 June 2018: 92 days) overdue.

Aging of past due but not impaired trade receivables

	At 31 December 2018 *HK$'000* (Unaudited)	At 30 June 2018 *HK$'000* (Audited)
Overdue:		
0–30 days	**193**	326
31–60 days	**140**	200
61–90 days	**107**	443
More than 90 days	**1,473**	1,108
	1,913	2,077

11. TRADE AND OTHER PAYABLES

At 31 December 2018, the balance of trade and other payables included trade payables of HK$530,000 (30 June 2018: HK$767,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	At 31 December 2018 *HK$'000* (Unaudited)	At 30 June 2018 *HK$'000* (Audited)
0–60 days	**458**	333
Over 60 days	**72**	434
	530	767

The other payables mainly include rental deposits of HK$12,979,000 (30 June 2018: HK$15,170,000) and receipt in advance of HK$6,659,000 (30 June 2018: HK$5,390,000).

RESULTS REVIEW

For the six months ended 31 December 2018, the Group reported a total revenue of HK$53,286,000 (2017: HK$54,536,000) and gross profit of HK$41,505,000 (2017: HK$42,347,000), both showing slight decrease of 2% compared with those of the previous corresponding period. These results were attributable to the rental income of investment properties of the Group denominated in renminbi yuan ("**RMB**"), with stable gross profit margin at 78% (2017: 78%).

During the period under review, the Group accounted for other income of HK$6,206,000 (2017: HK$14,583,000), which was mainly arisen from imputed and bank interest income in the sum of HK$9,170,000 (2017: HK$8,263,000) and the net exchange loss of HK$5,058,000 (2017: an exchange gain of HK$5,029,000) due to the fluctuation of RMB devaluation against Hong Kong dollar ("**HKD**"). In addition, the Group recognized an aggregate increase of HK$14,923,000 (2017: HK$47,408,000) in the fair value of the investment properties.

After taking into account of the above reduced appreciation of fair value of the investment properties and the related effect of taxation and the above devaluation of RMB in the period, the profit for the period attributable to shareholders of the Company was HK$44,418,000 (2017: HK$78,876,000), which decreased by 44% from that of the last corresponding period, with basic earnings per share of HK$0.1969 (2017: HK$0.3505).

Meanwhile, due to exchange difference on currency translation to presentation currency in HKD from functional currency in RMB, which devalued against HKD at 3.9% (2017: appreciated 3.7%) in the period, the other comprehensive expense was HK$82,932,000 (2017: other comprehensive income of HK$78,876,000), and the total comprehensive expense attributable to shareholders of the Company amounted to HK$37,033,000 (2017: total comprehensive income of HK$156,376,000).

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 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, was steady in the amount of RMB46,776,000 (2017: RMB46,244,000), as compared with that of last corresponding period. Such rental income presented in the financial statements in the sum of HK$53,286,000 (2017: HK$54,536,000), which represented all (2017: all) of the consolidated revenue income 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 RMB13,100,000 (2017: RMB40,200,000), translating into HK$14,923,000 (2017: HK$47,408,000) in the period. As such, the segment results of property rental reported a profit of RMB50,028,000 (2017: RMB75,750,000), presenting in HK$56,990,000 (2017: HK$89,332,000) which shows a drop of 36% as compared with the last corresponding figure, which was primarily due to reduced appreciation in fair value of these investment properties.

In Beijing, the rental income generated from the well-established community mall (including car parks) of the Group in Chaoyang District improved with average occupancy rate about 92% (2017: 95%) throughout the period. In addition, the rental income of this segment in the period totaled RMB16,043,000 (2017: RMB15,214,000), showing an increase of about 5% as compared with that of last corresponding period. This rental translated into HK$18,276,000 (2017: HK$17,941,000) which accounted for 34% (2017: 33%) of the total revenue of the Group, The fair value of these investment properties appreciated in the sum of RMB2,100,000 (2017: RMB14,200,000), depicting in HK$2,392,000 (2017: HK$16,746,000). Thereby, a profit of HK$13,175,000 (2017: HK$27,119,000) was recorded in the segment results in the period, and such decrease was primarily arisen from reduced appreciation in fair value of these investment properties as compared with that of the last corresponding period. Due to limited residential units held for sale by the Group in Beijing, there was nil (2017: nil) proceeds of property sales of the Group making an administrative loss of HK$94,000 (2017: HK$95,000) 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 an average occupancy rate of about 92% (2017: 94%) with steady rental during the period. And the rental income was in the sum of RMB30,733,000 (2017: RMB31,031,000). It presented into HK$35,010,000 (2017: HK$36,595,000) which shared 66% (2017: 67%) of the total revenue of the Group in the period. The fair value of these investment properties appreciated in the sum of RMB11,000,000 (2017: RMB26,000,000), depicting in HK$12,531,000 (2017: HK$30,662,000). Thereby, these segment results recorded a total profit of HK$43,815,000 (2017: HK$62,213,000) in the period, and such drop was also primarily arisen from reduced appreciation in fair value of these investment properties as compared with that of the last corresponding 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**"), continued its proceedings of compulsory liquidation which commenced in July 2016 under supervision of the PRC court and management of a liquidation committee ("**Liquidation Committee**") as appointed by the PRC court.

In the period, the Group continued to closely monitor the liquidation proceedings of Zhen Wah with the assistance of its legal advisers. Meanwhile, the Group kept on working actively with the Liquidation Committee, relevant official authorities and Chinese joint venture partner regarding the liquidation and the proposal for re-zoning/swap of the Land, compensation for demolition, relocation and increase of gross developable area of the Land ("**Proposal**"). Almost all of the ex-tenants/occupiers of the Land have agreed for relocation and delivered vacant possession. The Proposal has been mostly assessed officially for swap of Land in accordance with the relevant laws and regulations. It is currently under negotiations for planning and adjustment in alignment with the recent city planning of an opera house project near the Land.

As announced on 22 February 2019, due to complexity of historical issues involved in the liquidation of Zhen Wah including the aforesaid matters, the PRC court accepted the application lodged by the Liquidation Committee to further extend the period of compulsory liquidation of Zhen Wah for six months up to July 2019.

Meanwhile, based on the PRC legal advice and to further strive for the best interests of the Group, the Group lodged an application for international arbitration ("**Arbitration**") with South China International Economic and Trade Arbitration Commission ("**Arbitration Commission**") in June 2017 to determine the precise entitlement of the Group regarding rent, income and profit generated from the Land, pursuant to a shareholders' agreement entered into between the Group and the Chinese joint venture partner on 20 December 1996 in relation to Zhen Wah. In accordance with the arbitral proceedings, the Arbitration after the expiration of the conciliation at the end of July 2018 has been resumed pending for formation of arbitral panel. Irrespective of the result of the Arbitration, Zhen Wah will be wound up in the liquidation process in due course. Further announcement on the progress and/or result of the Arbitration will be made as and when appropriate.

FINANCIAL REVIEW

Capital Structure

The financial position of the Group remains sound and liquid, and its financing and treasury policies are managed and controlled at the corporate level and prudent manner during the period. The main objective is to utilize the group funding efficiently and to manage the financial risks effectively. At 31 December 2018, the equity attributable to its owners amounted to RMB1,845,622,000 (30 June 2018: RMB1,811,820,000) with net asset value per share of RMB8.08 (30 June 2018: RMB8.05), translating to HK$2,106,393,000 (30 June 2018: HK$2,148,998,000) with net asset value per share of HK$9.23 (30 June 2018: HK$9.54). Total unsecured and secured bank borrowings of the Group amounted to about HK$131,638,000 (30 June 2018: HK$135,520,000), which were in Hong Kong dollars and repayable within two year on floating rate basis. As at 31 December 2018, the gearing ratio of the Group was 6% (30 June 2018: 6%) based on the total debt of the Group to its equity attributable to owners of the Company. The exposure to foreign currency fluctuations affected the Group in the period under review was mainly the fluctuation of RMB devaluation against HKD, resulting in the net exchange loss of HK$5,058,000 (six months ended 31 December 2017: net exchange gain of HK$5,029,000) and exchange difference on translation functional currency of RMB to presentation currency of HKD, amounting to other comprehensive expense of HK$82,932,000 (six months ended 31 December 2017: other comprehensive income of HK$78,876,000). No financial instruments were used for hedging purpose in the period. And the Group will continue to closely monitor the impact of fluctuation of RMB in order to minimize its adverse impact.

Financial Resources and Liquidity

In the period under review, there was sufficient cashflow as generated by rental revenue of investment properties in Shanghai and Beijing. As at 31 December 2018, the bank balance and deposits and cash of the Group stood at HK$270,846,000 (30 June 2018: HK$257,870,000), in aggregate and denominated primarily in RMB. With sufficient cashflow, the Group maintained an un-utilized credit facilities of HK$16,000,000 (30 June 2018: HK$16,000,000) as working capital at floating interest rate as at 31 December 2018. The Group's net current assets amounted to HK$201,040,000 (30 June 2018: HK$193,799,000) with current ratio of 2.30 (30 June 2018: 2.30) as at 31 December 2018. And no significant capital expenditure commitments and authorizations was made in the period.

Pledge of Assets and Contingent Liabilities

As at 31 December 2018, the Group pledged its properties with a total carrying value of HK$922,164,000 (30 June 2018: HK$950,065,000), 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 financial institutions as security against general banking facilities granted to the Group, and also pledged certain of its bank deposits in the sum of HK$30,794,000 (30 June 2018: HK$30,521,000) to banks to secure banking facilities and home loans granted to the home buyers of property project of the Group. As at the end of the reporting period, 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 2018, the Group had given guarantees in respect of such home loans of HK$1,538,000 (30 June 2018: HK$1,859,000). 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

Although the unfavorable trade war between China and the United States will continue to weigh on the uncertainties in economic outlook in mainland China, it is anticipated that there will be official effort and supportive measures to bolster market expectation and reinforce the economic slowdown, including monetary and fiscal stimulus plans to underpin economic growth and domestic consumption as well as to moderate exchange rate of RMB and local investments associated with focus on deployment of technology for high-end service industry, all that will continue to bolster leasing demand of office and retail sectors.

In Beijing, economic slowdown will lead consumers to become increasingly selective in their purchasing decisions that will in turn hinder retailers' leasing demands. However, it is expected that the resilient middle-class consumption will sustain mid-range and mass-market retailers despite more awareness and demand for consumption experiences, quality and convenience. In order to maintain high occupancy rate and constant revenue to the Group, the Group will endeavor to proactively adjust and transform leasing and seasonal marketing strategies, emphasizing an experience-focused brand mix and outlet stores to fit customers' demands so as to attract the attention of more consumers and stimulate consumption.

In Shanghai, it is expected that competition will continue to stem not only from influx of new office projects but also from intermediary service providers such as co-working spaces, thus take-up of office market will remain in keen competition in Pudong. In Pudong, as financial hub, there will be leasing demand from local insurance, financial and professional enterprises. But the rental growth will face downward pressure amid economic slowdown, considerable volumes of new office supply and unabsorbed vacancies. To maintain high occupancy rate and steady recurring revenue, the Group will continue to adopt competitive rental strategies.

The Group will continue to act proactively for safeguarding the best interests of the Company in Zhen Wah. It will continue to adopt the best available measures and take expedient action with a view to protecting the Company's interests in the context of the compulsory liquidation of Zhen Wah. And based on the PRC legal advice received by the Group, the swapped Land will eventually be sold by way of public auction or disposed of by other applicable means subject to endorsement of the PRC court upon receipt of proposal of the Liquidation Committee in accordance with the 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. However, the issues involved in liquidation of Zhen Wah are complex and sophisticated, involving not only the PRC court but also various governmental authorities. There is no assurance that the liquidation may not be subject to significant delay, oppositions, obstructions and further dispute or litigation with respect to the matters of Zhen Wah and/or its assets.

INTERIM DIVIDEND

In respect of an interim dividend for the six months ended 31 December 2018, the Company will convene a separate meeting of the Board on 12 March 2019 to consider and, if appropriate, approve, among other matters, the declaration and payment of an interim dividend for such period.

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

Save for deviation of certain code provisions as set out in the Corporate Governance Code (the "**Code**") stipulated in Appendix 14 to the Listing Rules as disclosed below, the Company has applied the principles and has complied with the provisions of the Code throughout the six months ended 31 December 2018.

As announced on 6 December 2018, Mr. TAN Harry Chua after retirement as executive Director has ceased to be the chairman of the Company (the "**Chairman**") and chairman of Nomination Committee with effect from the conclusion of the annual general meeting on 6 December 2018 (the "**AGM**"). Dr. CHAN Wing Kit, Frank after retirement as executive Director has ceased to be the chief executive officer of the Company (the "**Chief Executive Officer**") with effect from the conclusion of the AGM. Thereafter, the Company has not appointed a Chairman or Chief Executive Officer and the provisions of A.2.2 to A.2.6 of the Code could not be fully complied with by the Company. In addition, the Company has not nominated the chairman of Nomination Committee under provision A.5.1 of the Codes. The Company has been using its best endeavours to identify suitable candidates to fill up these roles as soon as practicable and will make further announcement(s) as and when appropriate.

By Order of the Board
Dynamic Holdings Limited
WONG Oi Yee, Polly
Company Secretary

Hong Kong, 28 February 2019

As at the date of this announcement, the Board of the Company comprises 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.