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 2022

INTERIM RESULTS

The board of directors (the "**Board**") 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 2022 together with comparative figures for the corresponding period in 2021. The condensed consolidated financial statements of the Group for the six months ended 31 December 2022 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	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**39,606**	42,989
Direct costs		**(12,672)**	(13,088)
Gross profit		**26,934**	29,901
Other income, gains and losses	*4*	**6,582**	11,926
(Decrease) increase in fair value of investment properties	*8*	**(10,812)**	48,041
Administrative expenses		**(16,807)**	(22,655)
Selling expenses		**(150)**	(339)
Finance costs		**(1,607)**	(920)
Share of loss of a joint venture		**(3,828)**	(5,565)
Profit before taxation		**312**	60,389
Income tax credit (charge)	*5*	**1,421**	(11,271)
Profit for the period		**1,733**	49,118

	Note	Six months ended 31 December 2022 HK$'000 (Unaudited)	2021 HK$'000 (Unaudited)
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(92,204)**	39,663
Total comprehensive (expense) income for the period		**(90,471)**	88,781
Profit for the period attributable to:			
Owners of the Company		**1,476**	48,534
Non-controlling interests		**257**	584
		1,733	49,118
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(88,954)**	87,425
Non-controlling interests		**(1,517)**	1,356
		(90,471)	88,781
Earnings per share ***(Hong Kong cents)***	*7*		
Basic		**0.62**	20.42

Condensed Consolidated Statement of Financial Position

	Notes	**At 31 December 2022** *HK$'000* **(Unaudited)**	At 30 June 2022 *HK$'000* (Audited)
Non-current Assets			
Property, plant and equipment		**1,503**	1,818
Right-of-use assets		**2,185**	3,317
Investment properties	*8*	**1,910,697**	2,005,063
Interest in a joint venture	*9*	**84,028**	91,163
Amount due from a joint venture	*9*	**232,394**	235,768
Other asset		**1,343**	1,403
		2,232,150	2,338,532
Current Assets			
Trade and other receivables and prepayments	*10*	**19,786**	22,926
Amount due from a non-controlling shareholder		**856**	894
Pledged bank deposits		**17,124**	36,624
Fixed bank deposits		**120,830**	98,374
Bank balances and cash		**161,556**	188,107
		320,152	346,925
Current Liabilities			
Trade and other payables	*11*	**44,194**	46,344
Lease liabilities		**2,332**	2,372
Tax payable		**89,430**	93,823
Bank loan		**69,918**	91,833
		205,874	234,372
Net Current Assets		**114,278**	112,553
Total Assets less Current Liabilities		**2,346,428**	2,451,085

	At 31 December 2022 *HK$'000* (Unaudited)	At 30 June 2022 *HK$'000* (Audited)
Capital and Reserves		
Share capital	**237,704**	237,704
Reserves	**1,806,715**	1,896,858
Equity attributable to owners of the Company	**2,044,419**	2,134,562
Non-controlling interests	**40,125**	41,642
Total Equity	**2,084,544**	2,176,204
Non-current Liabilities		
Lease liabilities	**–**	1,134
Deferred tax liabilities	**248,925**	262,633
Long-term rental deposits received	**12,959**	11,114
	261,884	274,881
	2,346,428	2,451,085

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2022 are the same as those presented in the Group’s annual financial statements for the year ended 30 June 2022.

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 July 2022 for the preparation of the condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. **REVENUE AND SEGMENT INFORMATION**

Information reported to 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.

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, residential and commercial units and carparks, are located in Shanghai and Beijing, the PRC.

The revenue from property rental includes variable lease payments that do not depend on an index or a rate of HK$1,428,000 (2021: HK$1,452,000), the remaining amounts are lease payments that are fixed.

Property rental analysed based on distinct geographical locations, is 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				Consolidated	
	Beijing		Shanghai			
	Six months ended 31 December (Unaudited)					
	2022	2021	**2022**	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT REVENUE						
REVENUE						
External sales	**13,631**	16,477	**25,975**	26,512	**39,606**	42,989
SEGMENT RESULT	**4,868**	17,838	**10,928**	59,837	**15,796**	77,675
Unallocated other income, gains and losses					**6,095**	11,446
Unallocated corporate expenses					**(16,144)**	(22,247)
Finance costs					**(1,607)**	(920)
Share of loss of a joint venture					**(3,828)**	(5,565)
Profit before taxation					**312**	60,389

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit from each segment without the allocation of central administration costs, certain other income, gains and losses (mainly including exchange (loss) gain, net, bank interest income, imputed interest income on amount due from a joint venture and others), 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.

No segment of assets and liabilities are presented as no discrete financial information is available.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Included in other income, gains and losses are:		
Bank interest income	**3,138**	3,072
Exchange (loss) gain, net	**(4,494)**	1,238
Imputed interest income on amount due from a joint venture	**6,380**	6,911
Government grants	**208**	–

5. INCOME TAX (CREDIT) CHARGE

	Six months ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The tax (credit) charge comprises:		
Current tax in the PRC (other than Hong Kong)		
Current period	**1,087**	2,059
Deferred tax (credit) charge	**(2,508)**	9,212
	(1,421)	11,271

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

During the current interim period, a final dividend of 0.5 Hong Kong cents per share in respect of the year ended 30 June 2022 (2021: 1 Hong Kong cent per share in respect of the year ended 30 June 2021) was declared to the owners of the Company.

Subsequent to the end of the current interim period, the directors of the Company (the "**Directors**") have determined that an interim dividend of 0.5 Hong Kong cents per share amounting to HK$1,189,000 in aggregate (six months ended 31 December 2021: HK$1,189,000) will be paid to the owners of the Company whose names appear in the register of members of the Company on 6 April 2023.

7. EARNINGS PER SHARE

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

	Six months ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	**1,476**	48,534

	Six months ended 31 December	
	2022	2021
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**237,703,681**	237,703,681

Diluted earnings per share is not presented for the six months ended 31 December 2022 and 2021 as there was no potential ordinary share outstanding during both periods.

8. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2022 (audited)	2,005,063
Addition	1,934
Exchange realignment	(85,488)
Decrease in fair value of investment properties	(10,812)
At 31 December 2022 (unaudited)	**1,910,697**

The fair value of the Group's investment properties (including residential, commercial and car park portion and office units) as at 31 December 2022 and 30 June 2022 has been arrived at on the basis of valuations carried out by independent 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 loss arising from decrease in fair value of HK$10,812,000 (six months ended 31 December 2021: net gain arising from increase in fair value of HK$48,041,000) which has been recognised in profit or loss. All the investment properties are situated in the PRC.

During the current interim period, the Group has paid and recognised replacement cost of HK$1,934,000 as addition of investment properties (six months ended 31 December 2021: HK$2,494,000).

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

	At 31 December 2022	At 30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Cost of investment, unlisted	**213,407**	217,293
Share of post-acquisition losses and reserves	**(129,379)**	(126,130)
	84,028	91,163
Amount due from a joint venture	**232,394**	235,768

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 of which the Group should be entitled to a share of 80% in line with shareholders' agreement.

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 2022 which has not been recognised by the Group amounted to HK$10,368,000 (30 June 2022: 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 years. 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 prior years.

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 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 5.7% (30 June 2022: 5.7%) per annum.

The Directors have assessed the recoverability of interest in a joint venture and amount due from a joint venture amounting to HK$84,028,000 and HK$232,394,000, respectively as at 31 December 2022. Based on the latest financial information and fair value of net assets of Zhen Wah, the Directors have concluded that the amounts of interest in a joint venture will be fully recoverable and the expected credit loss on amount due from a joint venture is immaterial. Therefore, no loss allowance was recognised.

Particulars of the joint venture as at 31 December 2022 and 30 June 2022 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 AND PREPAYMENTS

Rentals receivable from tenants are payable on presentation of invoices.

The following is an aged analysis of trade receivables of HK$9,018,000 (30 June 2022: HK$14,491,000), net of allowance for credit losses of HK$2,052,000 (30 June 2022: HK$2,808,000), presented based on invoice date at the end of the reporting period:

	At 31 December 2022 *HK$'000* **(Unaudited)**	At 30 June 2022 *HK$'000* (Audited)
0–30 days	**6,680**	9,231
31–60 days	**194**	1,710
61–90 days	**92**	701
More than 90 days	**–**	41
	6,966	11,683

As at 31 December 2022, included in the Group's trade receivable balances are debtors with a carrying amount of HK$1,111,000 (30 June 2022: HK$5,135,000) which are past due at the end of the reporting period for which the Group has not provided for credit loss as the management considers that the loss allowance on trade receivables are insignificant to the Group. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER PAYABLES

At 31 December 2022, the balance of trade and other payables included trade payables of HK$2,478,000 (30 June 2022: HK$3,158,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	At 31 December 2022 ***HK$'000*** **(Unaudited)**	At 30 June 2022 *HK$'000* (Audited)
0–60 days	**1,597**	1,302
61–90 days	**45**	234
Over 90 days	**836**	1,622
	2,478	3,158

The other payables mainly include rental deposits received of HK$10,895,000 (30 June 2022: HK$14,229,000), receipt in advance of HK$4,468,000 (30 June 2022: HK$2,848,000) and other tax payable of HK$3,729,000 (30 June 2022: HK$5,887,000).

RESULTS REVIEW

For the six months ended 31 December 2022, the Group reported a total revenue of HK$39,606,000 (2021: HK$42,989,000) and gross profit of HK$26,934,000 (2021: HK$29,901,000), representing a decrease of about 8% and 10% respectively as compared with those of the previous corresponding period. The gross profit margin is about 68% (2021: 70%). These results were mainly attributable to rental income of investment properties of the Group in mainland China denominated in renminbi yuan ("**RMB**").

During the period under review, the Group accounted for other income of HK$6,582,000 (2021: HK$11,926,000), which arose mainly from imputed and bank interest income in the sum of HK$9,518,000 (2021: HK$9,983,000) with net exchange loss of HK$4,494,000 (2021: net exchange gain of HK$1,238,000) due to the depreciation of RMB against Hong Kong dollar ("**HKD**") in the period. In addition, the Group recorded an aggregate decrease of HK$10,812,000 (2021: an aggregate increase of HK$48,041,000) in the fair value of the investment properties under subdued market sentiment amid successive epidemic wave and restrictive control in the period.

Taking into account of the decrease in fair value of the investment properties together with the related effect of deferred taxation in the period, the Group recorded a profit for the period attributable to shareholders of the Company in the sum of HK$1,476,000 (2021: HK$48,534,000), with basic earnings per share of 0.62 Hong Kong cents (2021: 20.42 Hong Kong cents).

In addition, due to exchange difference on translation to presentation currency in HKD from functional currency in RMB, which devalued against HKD by about 4.5% (2021: appreciated by 1.7%) in the period, the other comprehensive expense was HK$92,204,000 (2021: other comprehensive income of HK$39,663,000), and the total comprehensive expense attributable to shareholders of the Company amounted to HK$88,954,000 (2021: total comprehensive income of HK$87,425,000) in the period.

BUSINESS REVIEW

In the period under review, the overall revenue and results of the Group were principally derived from its operating segment in property rental generated from its investment properties in mainland China (the revenue of which was denominated in RMB). The performance of the Group was primarily affected by the decrease in fair value and devaluation of RMB against HKD as compared with those of the last corresponding period under successive epidemic wave and restrictive control dampening business environment and leasing sentiment in mainland China in the period.

The rental income of the Group generated from its investment properties in two major cities, Shanghai and Beijing, was in the amount of RMB35,432,000 (equivalent to HK$39,606,000) (2021: RMB35,499,000 (equivalent to HK$42,989,000)), showing steady income as compared with that of last corresponding period. Such rental income presented in the financial statements in the sum of HK$39,606,000 (2021: HK$42,989,000), which represented all (2021: all) of the consolidated revenue income of the Group in the period. The fair value of the investment properties of the Group, which comprised shopping malls, car parks and other certain properties in Beijing and office units in Shanghai, recorded a decrease in the sum of RMB9,673,000 (equivalent to HK$10,812,000) (2021: an increase of RMB39,671,000 (equivalent to HK$48,041,000)) under subdued market sentiment in the period. As such, the results of property rental segment recorded a profit of RMB14,131,000 (equivalent to HK$15,796,000) (2021: RMB64,141,000 (equivalent to HK$77,675,000)). Excluding the effects of the changes in fair value of these investment properties and related tax effect, the underlying segment results recorded a profit of RMB23,804,000 (equivalent to HK$26,608,000) (2021: RMB24,471,000 (equivalent to HK$29,634,000)).

In Beijing, the rental income generated from the well-established community mall of the Group in Chaoyang District decreased together with average occupancy rate of about 79% (2021: 79%) throughout the period. The rental income of this segment in the period totaled RMB12,194,000 (2021: RMB13,606,000) representing a fall of about 10%, as compared with that of the last corresponding period. It translated into HK$13,631,000 (2021: HK$16,477,000) which accounted for 34% (2021: 38%) of the total revenue of the Group. The drop of rental income was mainly due to heightened pressure brought by the epidemic dampening shopping consumption and weighing on retailers' leasing demands and rental concession of the mall of the Group in the period. And the fair value of these investment properties slightly decreased in the sum of RMB2,300,000 (equivalent to HK$2,571,000) (2021: increase of RMB6,730,000 (equivalent to HK$8,150,000)), and a profit of HK$4,868,000 (2021: HK$17,838,000) was recorded in the segment results in the period. Excluding the effects of the changes in fair value of these investment properties and related tax effect, the underlying segment results recorded a profit of RMB6,655,000 (equivalent to HK$7,439,000) (2021: RMB8,000,000 (equivalent to HK$9,688,000)).

In Shanghai, the quality offices of the Group known as "Eton Place" located in core financial district of Little Lujiazui in Pudong had an average occupancy rate of about 87% (2021: 80%) in the period, whereas the rental income was in the sum of RMB23,238,000 (2021: RMB21,893,000), representing an increase of about 6%, as compared with that of the last corresponding period. It translated into HK$25,975,000 (2021: HK$26,512,000) which accounted for 66% (2021: 62%) of the total revenue of the Group in the period. The increase in rental income was primarily due to the increased occupancy rate with the new metro line and station nearby enhancing its prime location for leasing. In the period, the fair value of these investment properties decreased in the sum of RMB7,372,000 (equivalent to HK$8,241,000) (2021: increase of RMB32,941,000 (equivalent to HK$39,892,000)), and a profit of HK$10,928,000 (2021: HK$59,837,000) was recorded in the segment results in the period. Excluding the effects of the changes in fair value of these investment properties and related tax effect, the underlying segment results recorded a profit of RMB17,148,000 (equivalent to HK$19,169,000) (2021: RMB16,470,000 (equivalent to HK$19,945,000)).

During the period under review, Shenzhen Zhen Wah Harbour Enterprises Ltd. ("**Zhen Wah**", a joint venture in which the Company holds 49%), which holds interests in a piece of land located in Tung Kok Tau, Nanshan District, Shenzhen (the "**Existing Land**"), continued to carry on its proceedings of compulsory liquidation (the "**Compulsory Liquidation**") commenced in July 2016 under supervision of Shenzhen Intermediate People's Court of Guangdong Province (廣東省深圳市中級人民法院) (the "**Court**") and management of a liquidation committee (the "**Liquidation Committee**") as appointed by the Court.

In the period, the Group continued to solidly monitor the Compulsory Liquidation with the assistance of its legal advisers. Meanwhile, the Group worked actively with the Liquidation Committee, relevant official authorities and Chinese joint venture partner of Zhen Wah (the "**Chinese Partner**") regarding the Compulsory Liquidation and outstanding issues of the Existing Land for swap of the land (the "**Land Swap**") by virtue of the official agreement (the "**Agreement**") for the Land Swap previously entered into between 深圳市規劃和自然資源局南山管理局 (Nanshan Administration of Shenzhen Municipal Bureau of Planning and Natural Resources) (the "**Bureau**") and Zhen Wah in 2019 in accordance with the relevant laws and regulations. A supplemental agreement to the Agreement was entered into by the relevant parties in 2021 to conclude the outstanding issues for the Land Swap.

Pursuant to the Agreement and its supplemental agreement, Zhen Wah and the Bureau agreed to the Land Swap such that the Existing Land was surrendered to the Bureau (the "**Surrender Land**") in return for a new piece of land situated in Tung Kok Tau, Nanshan District, Shenzhen (the "**New Land**"), to be granted by the Bureau to Zhen Wah without additional land premium payable subject to the terms and conditions as set out therein.

The New Land comprises two adjoining plots of land with total site area of approximately 109,000 square metres and the use of land for residential and commercial purposes including office and supporting ancillary facilities. The total developable gross floor area is approximately 395,000 square metres for multi-purpose development.

In the period, the Group kept on working closely with the relevant parties and authorities for various appropriate applications and approvals as well as demolition of buildings and clearance of planation in the Existing Land as pre-requisite for the Land Swap in accordance with the Agreement, and in alignment with city planning near the New Land, including but not limited to an opera house project and a metro line and station nearby.

In addition, the Group has kept on working with the new management of the Chinese Partner and the team of legal and tax advisors on other viable proposals to resolve legal and tax issues for the New Land, including but not limited to public auction, for the best interests of the Group.

As previously disclosed, an agreement with the relevant official authorities was concluded for demolition, relocation and compensation of those buildings, erections and equipment on the Surrender Land (the "**Relocation Compensation Agreement**") subject to, among others, settlement of any economic disputes between Zhen Wah with ex-tenant(s) or any third party(ies) arising therefrom in accordance with the relevant applicable laws, regulations and rules of the PRC. Meanwhile, an ex-tenant lodged several administrative proceedings with the Court against the relevant official authorities concerning with the Surrender Land as defendants and joining Zhen Wah as a third party, opposing the Relocation Compensation Agreement and claiming for compensation, which Zhen Wah was named as a third party respectively.

As advised by the Liquidation Committee and the Group's PRC legal adviser, Zhen Wah had defence to the claims under the administrative proceedings on the basis that the claims were lacking in factual and legal basis. The Liquidation Committee together with the Group and the Chinese partner of Zhen Wah will closely monitor the development of the administrative proceedings and take appropriate actions as and when necessary, based on the advice of its PRC legal adviser.

As further announced on 20 January 2023, the 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 2023.

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 in a prudent manner during the period. The main objective is to utilise the Group's funds efficiently and to manage the financial risks effectively. At 31 December 2022, the equity attributable to owners of the Company amounted to RMB1,826,218,000 (30 June 2022: RMB1,825,456,000) with net asset value per share of RMB7.70 (30 June 2022: RMB7.70), translating into HK$2,044,419,000 (30 June 2022: HK$2,134,562,000) with net asset value per share of HK$8.60 (30 June 2022: HK$8.98). Total bank borrowings of the Group amounted to about HK$69,918,000 (30 June 2022: HK$91,833,000), which were secured in Hong Kong dollars and repayable within one year on floating rate basis. As at 31 December 2022, the gearing ratio of the Group was 3.4% (30 June 2022: 4.3%) 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 depreciation of RMB against HKD, resulting in the net exchange loss of HK$4,494,000 (six months ended 31 December 2021: net exchange gain of HK$1,238,000) and exchange difference on translation from functional currency in RMB to presentation currency in HKD, amounting to other comprehensive expense of HK$92,204,000 (six months ended 31 December 2021: other comprehensive income of HK$39,663,000) for the period under review. No financial instruments were used for hedging purpose in the period. The Group will continue to closely monitor the impact of fluctuation of RMB in order to minimise 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 2022, the bank balance and cash and fixed bank deposits of the Group stood at HK$282,386,000 (30 June 2022: HK$286,481,000) in aggregate and denominated primarily in RMB. With sufficient cashflow, the Group maintained un-utilised credit facilities of HK$11,000,000 (30 June 2022: HK$11,000,000) as working capital at floating interest rate. The Group's net current assets amounted to HK$114,278,000 (30 June 2022: HK$112,553,000) with current ratio of 1.56 as at 31 December 2022 (30 June 2022: 1.48). And no significant capital expenditure commitments and authorisations was made in the period.

Pledge of Assets and Contingent Liabilities

As at 31 December 2022, the Group pledged its properties with a total carrying value of HK$785,877,000 (30 June 2022: HK$823,209,000), 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$17,124,000 (30 June 2022: HK$36,624,000) 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 no longer given guarantees in respect of settlement of home loans provided by banks to the home buyers of a property project in Beijing. The Group previously gave guarantees in respect of such home loans of HK$5,000 as at 30 June 2022. 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 China still faces significant economic challenges and headwinds such as the contraction in property market and some uncertainty around the evolution of the pandemic, it is anticipated that China's economy is set to rebound this year as mobility and activity pick up after the lifting of pandemic restrictions, buoyed by the official optimised epidemic response and effective pro-growth policies, propelling households' confidence for domestic demand and impetus into the economic recovery, that will underpin market sentiment for leasing activities of office and retail sectors.

In Beijing, the retail market is expected to see a better economy and a revival of consumption after the covid-zero policy has been lifted with more ease in travel. Meanwhile, it is believed that the retail market will be recovered once the pandemic is under control. To increase the occupancy rate and recurring revenue, the Group will endeavor to actively adjust leasing and marketing strategies including refurbishment, lower rents or providing subsidies, and to revamp brand's portfolios and leasing services alongside with competitive and effective rental strategies to attract new and retain existing retailers/tenants.

In Shanghai, it is expected that the relaxation of zero covid would increase optimism and expectations for a rebound of economic and business activities and thus enhance the leasing demand for office in this year. Meanwhile, the Group will continue to deploy its competitive and effective rental strategies from time to time with fitting-out subsidies and more flexible leasing terms, to attract new tenants and retain existing tenants so as to improve the occupancy rate and recurring revenue.

The metropolis Shenzhen, being the official Shenzhen Demonstration Pilot Zone and high-tech hub as well as the mainland's top city for overall economic and digital competitiveness and premier special economic zone, is expected to continue its pioneer as a world-class center of cutting-edge innovation, entrepreneurship and advanced technology with high-quality development with official support, and act as the core and leading engine for the development of Guangdong-Hong Kong-Macao Greater Bay Area.

Meanwhile, the real estate market is primarily impacted by the ongoing policy restrictions on purchasing eligibility and financing, economic uncertainties and challenges with softened market sentiment, yet the outlook for Shenzhen's property market is expected to regain economic growth and remain positive, supported by the strong economic and demographics fundamentals along with official supportive reform. This will enhance the long-term and sustainable development value of the New Land in Tung Kok Tau, Nanshan District, Shenzhen.

The Group will continue to act proactively for safeguarding the best interests of the Company in relation to Zhen Wah and its assets. It will keep on adopting the best available measures and take expedient action with a view to protecting the Company's best interests in the context of the Compulsory Liquidation. The Group will closely monitor the development of the Compulsory Liquidation and continue to seek PRC legal and tax advice and to further strive for the best interest of the Group in relation to Zhen Wah and its assets. Meanwhile, the Group will continue to work with the relevant parties to monitor the progress of Land Swap and to optimise city planning of the New Land in line with the projects of adjacent opera house and infrastructure.

Nevertheless, there is no assurance that the Land Swap can be completed without further significant delay or impediments, or that the execution of the relevant land contract will arise. Based on the PRC legal advice received by the Group, assets of Zhen Wah 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 including taxation) will be distributed to the joint venture partners in accordance with their equity contributions. However, the issues involved in the Compulsory Liquidation are complex and sophisticated, involving not only the PRC court but also various government authorities. There is no assurance that the Compulsory Liquidation will not be subject to significant delay, oppositions, obstructions or further dispute or litigation with respect to the matters of Zhen Wah and/or its asset.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 0.5 Hong Kong cents (six months ended 31 December 2021: 0.5 Hong Kong cents) per share for the six months ended 31 December 2022 to the shareholders of the Company whose names appear on the register of members on Thursday, 6 April 2023. The warrants for the interim dividend are expected to be despatched to those entitled on or about Friday, 28 April 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 3 April 2023 to Thursday, 6 April 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 March 2023.

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 2022, 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
CHIU Siu Hung, Allan
Chief Executive Officer

Hong Kong, 24 February 2023

As at the date of this announcement, the Board of the Company comprises Dr. TAN Lucio C. (Chairman), Mr. CHIU Siu Hung, Allan (Chief Executive Officer), Mrs. TAN Carmen K., Mr. PASCUAL Ramon Sy, Ms. TAN Vivienne Khao and Ms. TAN Irene Khao as executive Directors; and Mr. CHONG Kim Chan, Kenneth, Mr. GO Patrick Lim, Mr. NGU Angel and Mr. MA Chiu Tak, Anthony as independent non-executive Directors.