DYNAMIC HOLDINGS LIMITED

達力集團有限公司

Incorporated in Bermuda with limited liability

Stock Code：29

INTERIM REPORT 2019/20

www.dynamic.hk

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CORPORATE AND INVESTOR INFORMATION

BOARD OF DIRECTORS

Executive Directors

TAN Lucio C., *Chairman*
CHIU Siu Hung, Allan,
Chief Executive Officer
TAN Carmen K.
PASCUAL Ramon Sy
CHUA Joseph Tan
TAN Vivienne Khao

Independent Non-executive Directors

CHONG Kim Chan, Kenneth
FOK Kam Chu, John
GO Patrick Lim
NGU Angel
MA Chiu Tak, Anthony

AUDIT COMMITTEE

CHONG Kim Chan, Kenneth,
Chairman
FOK Kam Chu, John
GO Patrick Lim

REMUNERATION COMMITTEE

CHONG Kim Chan, Kenneth,
Chairman
FOK Kam Chu, John
MA Chiu Tak, Anthony

NOMINATION COMMITTEE

GO Patrick Lim, *Chairman*
CHONG Kim Chan, Kenneth
FOK Kam Chu, John

COMPANY SECRETARY

WONG Oi Yee, Polly

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Deacons
Mayer Brown
Appleby
Longan Law Firm
Shanghai Kai-Rong Law Firm

PRINCIPAL BANKERS

Hang Seng Bank Limited
Industrial and Commercial Bank of China
Limited
China Merchants Bank Co., Ltd.
Bank of China Limited
Bank of Communications Co., Ltd.

STOCK CODE

29

WEBSITES

https://www.dynamic.hk
https://www.irasia.com/listco/hk/dynamic

SHARE REGISTRAR

Principal Share Registrar

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Branch Share Registrar

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

REPRESENTATIVE OFFICE IN SHENZHEN

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

FINANCIAL CALENDAR

Last Registration Date for Interim Dividend	3 April 2020
Book-close Dates	6 April 2020 – 9 April 2020 (both days inclusive)
Record Date for Interim Dividend	9 April 2020
Payment of Interim Dividend	24 April 2020

MANAGEMENT STATEMENT

The board (the "**Board**") of directors (the "**Directors**") of Dynamic Holdings Limited (the "**Company**") hereby present its management statement including, among others, discussion and analysis of the performance and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the six months ended 31 December 2019, which have been reviewed by external auditor of the Company, Deloitte Touche Tohmatsu.

INTERIM RESULTS

For the six months ended 31 December 2019, the Group reported a total revenue of HK$48,782,000 (2018: HK$53,286,000) and gross profit of HK$34,823,000 (2018: HK$41,505,000), showing decrease of about 8% and 16% respectively compared with those of the corresponding period in 2018. These results were attributable to the reduced rental income of investment properties of the Group in mainland China denominated in renminbi yuan ("**RMB**"), with gross profit margin at about 71% (2018: 78%).

During the period under review, the Group accounted for other income of HK$7,249,000 (2018: HK$6,206,000), which was mainly arisen from imputed and bank interest income in the sum of HK$8,746,000 (2018: HK$9,170,000) with the net exchange loss of HK$2,261,000 (2018: HK$5,058,000) due to the fluctuation of RMB devalued against Hong Kong dollar ("**HKD**"). In addition, the Group recognized an aggregate decrease of HK$33,463,000 (2018: increase of HK$14,923,000) in the fair value of the investment properties under subdued market sentiment.

After 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 profit for the period attributable to shareholders of the Company was HK$7,377,000 (2018: HK$44,418,000), with basic earnings per share of 3.14 Hong Kong cents (2018: 19.69 Hong Kong cents). And administrative expenses for the period amounted to HK$15,581,000 (2018: HK$14,557,000).

In addition, due to exchange difference on currency translation to presentation currency in HKD from functional currency in RMB, which devalued against HKD by about 1.8% (2018: 3.9%) in the period, the other comprehensive expense was HK$40,017,000 (2018: HK$82,932,000), and the total comprehensive expense attributable to shareholders of the Company amounted to HK$31,970,000 (2018: HK$37,033,000) in the period.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 2 Hong Kong cents (2018: 3 Hong Kong cents) per share for the six months ended 31 December 2019 to the shareholders of the Company whose names appear on the register of members on Thursday, 9 April 2020. The warrants for the interim dividend are expected to be despatched to those entitled on or about Friday, 24 April 2020.

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 in mainland China (the revenue of which was denominated in RMB), with weakened performance as compared to the corresponding period in 2018 in the face of weakening leasing and market sentiment.

The rental income of the Group generated from its investment properties in two major cities, Shanghai and Beijing, was in the amount of RMB43,733,000 (2018: RMB46,776,000), denoting a drop of about 7% as compared with that of the corresponding period in 2018. Such rental income presented in the financial statements in the sum of HK$48,782,000 (2018: HK$53,286,000), which represented all (2018: 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 decreased in the sum of RMB30,000,000 (2018: increased in the sum of RMB13,100,000), translating into HK$33,463,000 (2018: increased in the sum of HK$14,923,000) in the period under subdued market sentiment. As such, the segment results of property rental reported a profit of RMB322,000 (2018: RMB50,028,000), translating to a profit of HK$360,000 (2018: HK$56,990,000), which decrease was primarily due to the drop in fair value of these investment properties. Exclusive of the changes in fair value of these investment properties and related tax effect, the underlying segment results would have been a profit of RMB30,322,000 (2018: RMB36,928,000), showing a drop of about 18% as compared with the corresponding period in 2018.

BUSINESS REVIEW *(Continued)*

In Beijing, the rental income generated from the well-established community mall (including car parks) of the Group in Chaoyang District was relatively stable with average occupancy rate about 90% (2018: 92%) in the period. In addition, the rental income of this segment in the period totalled RMB16,050,000 (2018: RMB16,043,000), translating into HK$17,903,000 (2018: HK$18,276,000) which accounted for about 37% (2018: 34%) of the total revenue of the Group. The fair value of these investment properties decreased in the sum of RMB6,000,000 (2018: increased in the sum of RMB2,100,000), translating to HK$6,693,000 (2018: increased in the sum of HK$2,392,000). After taking into account the changes in fair value of these investment properties and relevant costs, a profit of HK$2,822,000 (2018: HK$13,175,000) was recorded in the segment results in the period. Due to limited residential units held for sale by the Group in Beijing, there was nil (2018: nil) proceeds of property sales of residential units held by the Group at "Chaoyang Garden" incurring an administrative loss of HK$92,000 (2018: HK$94,000) in the segment 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 80% (2018: 92%) in the period, while rental income totalled RMB27,683,000 (2018: RMB30,733,000), showing a fall of about 10% under influx of new supply and weakening leasing demand for office space, as compared with that of the corresponding period in 2018. Such rental income translated to HK$30,879,000 (2018: HK$35,010,000), which was about 63% (2018: 66%) of the total revenue of the Group in the period. The fair value of these investment properties decreased in the sum of RMB24,000,000 (2018: increased in the sum of RMB11,000,000) amidst stagnant market sentiment, translating to HK$26,771,000 (2018: increased in the sum of HK$12,531,000). After taking into account the changes in fair value of these investment properties and relevant costs, the above segment recorded a loss of HK$2,462,000 (2018: a profit of HK$43,815,000) 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 interests in land located in Tung Kok Tau, Nanshan District, Shenzhen, continued its proceedings of compulsory liquidation which commenced in July 2016 under supervision of the court of the People's Republic of China (the "**PRC**") and management of a liquidation committee (the "**Liquidation Committee**") as appointed by the PRC court.

BUSINESS REVIEW *(Continued)*

As announced on 21 January 2020, 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 2020.

In the period, the Group closely monitored the liquidation proceedings of Zhen Wah with the assistance of its legal advisers. Meanwhile, the Group worked actively with the Liquidation Committee, relevant official authorities and Chinese joint venture partner regarding the liquidation of Zhen Wah and the proposal for the Land Swap as referred to below in accordance with the relevant laws and regulations.

As announced on 11 September 2019 (the "**Announcement**"), a 收地補償協議書 (Land Resumption Compensation Agreement) was 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 (the "**Agreement**") relating to the Land Swap (as defined in the Announcement), pursuant to which Zhen Wah and the Bureau agreed to the Land Swap whereby the Existing Land (as defined in the Announcement) which was owned or occupied by Zhen Wah has to be surrendered by Zhen Wah to the Bureau in return for the New Land (as defined in the Announcement), also situated in Tung Kok Tau, Nanshan District, Shenzhen, to be granted by the Bureau to Zhen Wah without additional land premium payable subject to the terms and conditions as set out therein with compensation under negotiation for the clearance of buildings and erections on the Existing Land. According to the Agreement, the New Land will have a land site area of approximately 111,000 square metres with land usage as residential, commercial including office and supporting ancillary facilities and a total developable gross floor area of approximately 395,000 square metres for multi-purpose development.

The Liquidation Committee has been working with the relevant parties for compensation regarding the clearance of buildings and erections on the Existing Land, relocation and delivery of vacant possession of the Existing Land, and in alignment with the city planning of an opera house project near the New Land.

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 (the "**Arbitration**") with South China International Economic and Trade Arbitration Commission in June 2017 to determine the precise entitlement of the Group regarding rent, income and profit generated from the Existing 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. The hearing of the arbitral panel for the Arbitration was held in July 2019 pending for arbitral results. 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 in a prudent manner during the period. The main objective is to utilize Group's funds efficiently and to manage the financial risks effectively. As at 31 December 2019, the equity attributable to owners of the Company amounted to RMB1,851,306,000 (30 June 2019: RMB1,843,465,000) with net asset value per share of RMB7.79 (30 June 2019: RMB8.04), translating to HK$2,066,697,000 (30 June 2019: HK$2,095,656,000) with net asset value per share of HK$8.69 (30 June 2019: HK$9.18). Total unsecured and secured bank borrowings of the Group amounted to about HK$93,881,000 (30 June 2019: HK$107,759,000), which were in Hong Kong dollars and repayable within one year on floating rate basis. As at 31 December 2019, the gearing ratio of the Group was about 5% (30 June 2019: 5%) 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$2,261,000 (six months ended 31 December 2018: HK$5,058,000) and exchange difference on translation functional currency of RMB to presentation currency of HKD, amounting to other comprehensive expense of HK$40,017,000 (six months ended 31 December 2018: HK$82,932,000) for the period under review. 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 2019, the bank balance and deposits and cash of the Group stood at HK$265,684,000 (30 June 2019: HK$260,514,000) in aggregate and denominated primarily in RMB. With sufficient cashflow, the Group maintained un-utilized credit facilities of HK$16,000,000 (30 June 2019: HK$16,000,000) as working capital at floating interest rate as at 31 December 2019. The Group's net current assets amounted to HK$89,762,000 (30 June 2019: HK$77,356,000) with current ratio of 1.38 as at 31 December 2019 (as at 30 June 2019: 1.32). And no significant capital expenditure commitments and authorizations was made in the period.

FINANCIAL REVIEW *(Continued)*

Pledge of Assets and Contingent Liabilities

As at 31 December 2019, the Group pledged its properties with a total carrying value of HK$885,262,000 (30 June 2019: HK$918,536,000), 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$16,121,000 (30 June 2019: HK$13,065,000) 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 2019, the Group had given guarantees in respect of such home loans of HK$697,000 (30 June 2019: HK$1,032,000). 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

The outbreak of the coronavirus (COVID-19) epidemic and uncertainties in the development of Sino-US trade frictions will weigh on the ensuing economic outlook in mainland China. Nevertheless, it is believed that the mainland Chinese government will be capable of containing and eventually stamping out such epidemic, whereas the sound fundamentals of the mainland Chinese economy is resilient, which will allow it to cope with economic uncertainties. Implementation of official efforts and measures to minimize the impact of such epidemic and economic slowdown for economic stability will mitigate the adverse impact on leasing demand in the office and retail sectors in Beijing and Shanghai.

It is anticipated that the impact of such epidemic and slowing economic growth will suppress consumers' spending and momentum in mainland China, coupled with the measure "Strict Closed Management of Residential Communities" and partial lockdown in a bid to curtail the spread of such epidemic will greatly dent leasing and rental demands for retail space in Beijing. It is also expected that the office market in Shanghai will remain stagnant due to fierce competition and uncertainty on when such epidemic will subside. All of the above factors will impose downward pressure on both occupancy and rental income derived from the investment properties of the Group.

PROSPECTS *(Continued)*

To safeguard tenants, maintain occupancy rate and recurring revenue, the Group will endeavor to take proactive strict and effective measures of property management, to continuously improve epidemic prevention and control, and enhance both on-line and off-line leasing and marketing strategies, along with competitive and effective rental strategies coupled with improvement to the investment properties of the Group to attract new tenants and retain existing tenants.

In 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 interests in the context of the compulsory liquidation of Zhen Wah.

As mentioned in the Announcement, Zhen Wah has to make appropriate applications required for the Land Swap in accordance with the relevant laws, regulations and rules of the PRC applicable to Zhen Wah, after clearance and delivery with vacant possession of the Existing Land to the Bureau. Due to various measures for epidemic control such as work from home and quarantine policies, the aforementioned matters will be hindered until the current epidemic subsides. Meanwhile, the Group will work with relevant parties via various avenues of electronic communications during such epidemic to monitor and to assist with the progress of Land Swap. Accordingly, there is no assurance that there will not be further significant delay and impediments in connection therewith, or to the approval for the relevant applications and execution of the relevant land contract.

And 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 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 6 April 2020 to Thursday, 9 April 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 3 April 2020.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2019, the interests and short positions held by the Directors or the chief executive(s) of the Company or any of their associates in the shares of the Company (the "**Shares**"), shares of any of its associated corporations and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Name of Director	Number of issued ordinary shares held (long position) Personal interests	Family interests	Other interests *(note iii)*	Aggregate interests	Total interests as approximate percentage of issued share capital *(note v)*
Dr. TAN Lucio C *(note i)*	2,190,000	2,190,000	89,321,279	93,701,279	39.42%
Mr. CHIU Siu Hung, Allan	1,000,000	–	–	1,000,000	0.42%
Mrs. TAN Carmen K. *(note ii)*	2,190,000	2,190,000	89,321,279	93,701,279	39.42%
Mr. PASCUAL Ramon Sy *(note iv)*	1,582,000	–	–	1,582,000	0.66%
Mr. CHONG Kim Chan, Kenneth *(note iv)*	1,000,000	–	–	1,000,000	0.42%
Dr. FOK Kam Chu, John	582,000	–	–	582,000	0.24%
Mr. GO Patrick Lim *(note iv)*	1,000,000	–	–	1,000,000	0.42%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

(Continued)

Notes: i. Dr. TAN Lucio C. was deemed to be interested in 89,321,279 Shares as founder of a private discretionary trust. Dr. TAN was deemed to be interested in 2,190,000 Shares held by his spouse, Mrs. TAN Carmen K., as family interests under Part XV of the SFO. During the six months ended 31 December 2019, Dr. TAN exercised options to subscribe 2,190,000 Shares under the 2001 share option scheme ("**2001 Scheme**"), details of which are set out in note 16 to the condensed consolidated financial statements in this interim report.

ii. Mrs. TAN Carmen K. was deemed to be interested in 89,321,279 Shares which her spouse, Dr. TAN Lucio C., was interested in as founder of a private discretionary trust, and 2,190,000 Shares held by Dr. TAN Lucio C. as family interests under Part XV of the SFO. During the six months ended 31 December 2019, Mrs. TAN exercised options to subscribe 2,190,000 Shares under the 2001 Scheme.

iii. The references to the 89,321,279 Shares in which Dr. TAN Lucio C. and Mrs. TAN Carmen K. were interested in or taken to be interested in relate to the same block of Shares.

iv. During the six months ended 31 December 2019, Mr. PASCUAL Ramon Sy and Mr. CHONG Kim Chan, Kenneth exercised options to subscribe 1,500,000 Shares and 1,000,000 Shares respectively under the 2001 Scheme whereas Mr. GO Patrick Lim exercised options to subscribe 1,000,000 Shares under the 2011 share option scheme, details of which are set out in note 16 to the condensed consolidated financial statements in this interim report.

v. The calculation is derived from the aggregate interests as a percentage of the total number of issued Shares of the Company (i.e. 237,703,681 Shares) as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors, the chief executive(s) of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Save as disclosed above, none of the Directors, the chief executive(s) of the Company or any of their associates had been granted or exercised any interests or rights to subscribe for any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) during the six months ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they had complied with the required standards of dealings as set out therein during the six months ended 31 December 2019.

DISCLOSURE OF INFORMATION ON DIRECTORS

By virtue of rule 13.51B(1) of the Listing Rules, the updated information on Directors is that Mr. CHUA Joseph Tan, executive Director of the Company, has been appointed as director of PAL Holdings, Inc. ("**PAL**") while Ms. TAN Vivienne Khao, executive Director of the Company, has been appointed as director of PAL and MacroAsia Corporation, both of which securities are listed on The Philippine Stock Exchange, Inc.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2019, so far as is known to any Director or chief executive(s) of the Company, persons (other than the Directors or the chief executive(s) of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of issued ordinary Shares held *(note iii)*	Total interests (long position)	Total interests as approximate percentage of issued share capital *(note iv)*
Carnation Investments Inc.	Trustee of a private discretionary trust *(note i)*	89,321,279	89,321,279	37.58%
Zedra (Hong Kong) Limited	Other interests *(note ii)*	89,321,279	89,321,279	37.58%

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

Notes:

i. Carnation Investments Inc. was taken to be interested in 89,321,279 Shares held by Dynamic Development Corporation, the entire issued share capital of which was held by Carnation Investments Inc. as trustee for a private discretionary trust.

ii. Zedra (Hong Kong) Limited was deemed to be interested in 89,321,279 Shares held indirectly by its wholly-owned subsidiary, Carnation Investments Inc., as trustee of a private discretionary trust.

iii. The references to the 89,321,279 Shares in which Carnation Investments Inc. and Zedra (Hong Kong) Limited were interested in or taken to be interested in relate to the same block of Shares.

iv. The calculation is derived from the aggregate interests as a percentage of the total number of issued Shares of the Company (i.e. 237,703,681 Shares) as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, no other person (other than the Directors and the chief executive(s) of the Company) had any interests or short positions in the Shares and underlying Shares recorded in the register required to be kept by the Company under Section 336 of the SFO.

EMPLOYEES AND EMOLUMENT POLICY

At 31 December 2019, the Group had about 50 employees (including Directors) in Hong Kong and the mainland China at prevailing market remuneration with employee benefits such as medical insurance, provident fund schemes and share option schemes.

Both the emoluments of the respective Directors of the Company and the emolument policy of the employees of the Group are recommended by the remuneration committee of the Company. They are on the basis of the respective merits, responsibilities and duties, performance, qualifications and competence, taking into account of comparable market level, operating results of the Group, corporate goals and objectives of the Board of Directors and relevant legal requirements, provisions, guidelines and recommendations of regulatory bodies.

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

DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES

Details of advances given to an affiliated company as at 31 December 2019, which exceeded 8% under the assets ratio as defined under rule 13.16 of the Listing Rules are as follows:

Affiliated company	Percentage of equity held by the Group	Amount of advances at 31 December 2019 *HK$'000* (Unaudited)
Shenzhen Zhen Wah Harbour Enterprises Ltd. *(Note)*	49%	218,306

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. The advances to Zhen Wah by the Group have been accounted for as amount due from a joint venture, details of which are disclosed in note 11 to the condensed consolidated financial statements. The amount of advances are unsecured and to be repayable after the next twelve months from the end of the reporting period.

Pursuant to the continuing disclosure requirements under rule 13.22 of the Listing Rules, the combined statement of financial position of the above affiliated company, Zhen Wah and the attributable interests of the Group in Zhen Wah as at 31 December 2019 are disclosed as follows:

	Combined statement of financial position *HK$'000* (Unaudited)	Group's attributable interests *HK$'000* (Unaudited)
Non-current assets	208,860	102,342
Current assets	30,237	14,816
Current liabilities	(10,903)	(5,343)
Non-current liabilities	(218,306)	(106,970)
Net assets	9,888	4,845

CORPORATE GOVERNANCE

Throughout the six months ended 31 December 2019, 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, save and except deviation from code provision E.1.2. At the annual general meeting of the Company held on 29 November 2019 ("**AGM**"), the chairman of the Board was unable to attend the AGM due to other business engagements. Meanwhile, management and external auditor of the Company together with the chairmen and/or members of the Board's committees attended the AGM to answer relevant questions raised by and understand the views of the shareholders of the Company thereat.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting practices and principles adopted by the Group and discussed with the management as to auditing, risk management and internal control, corporate governance and financial reporting matters including the review of this unaudited interim report for the six months ended 31 December 2019.

By Order of the Board
CHIU Siu Hung, Allan
Chief Executive Officer

Hong Kong, 28 February 2020

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF DYNAMIC HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Dynamic Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 19 to 46, which comprise the condensed consolidated statement of financial position as of 31 December 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 28 February 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

		Six months ended 31 December	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**48,782**	53,286
Direct costs		**(13,959)**	(11,781)
Gross profit		**34,823**	41,505
Other income, gains and losses	*4*	**7,249**	6,206
(Decrease) increase in fair value of investment properties	*10*	**(33,463)**	14,923
Administrative expenses		**(15,581)**	(14,557)
Selling expenses		**(278)**	(469)
Finance costs	*5*	**(2,038)**	(2,209)
Share of loss of a joint venture		**(4,721)**	(5,084)
(Loss) profit before taxation	*6*	**(14,009)**	40,315
Taxation	*7*	**21,624**	4,833
Profit for the period		**7,615**	45,148
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		**(40,017)**	(82,932)
Total comprehensive expense for the period		**(32,402)**	(37,784)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the six months ended 31 December 2019

	Note	Six months ended 31 December 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**7,377**	44,418
Non-controlling interests		**238**	730
		7,615	45,148
Total comprehensive expense attributable to:			
Owners of the Company		**(31,970)**	(37,033)
Non-controlling interests		**(432)**	(751)
		(32,402)	(37,784)
Earnings per share ***(Hong Kong cents)***	*9*		
Basic		**3.14**	19.69
Diluted		**3.10**	18.68

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	At 31 December 2019 HK$'000 (Unaudited)	At 30 June 2019 HK$'000 (Audited)
Non-current Assets			
Property, plant and equipment		**2,196**	2,431
Right-of-use assets		**2,258**	–
Investment properties	*10*	**1,980,620**	2,051,020
Interest in a joint venture	*11*	**87,019**	93,605
Amount due from a joint venture	*11*	**218,306**	215,712
Other asset		**1,339**	1,364
		2,291,738	2,364,132
Current Assets			
Properties held for sale		**15,129**	15,441
Loan receivables	*12*	**–**	–
Trade and other receivables	*13*	**27,507**	30,594
Amount due from a non-controlling shareholder		**854**	301
Pledged bank deposits		**16,121**	13,065
Fixed bank deposits		**169,506**	157,679
Bank balances and cash		**96,178**	102,835
		325,295	319,915
Current Liabilities			
Trade and other payables	*14*	**40,786**	43,778
Tax payable		**89,041**	91,022
Lease liabilities		**2,317**	–
Dividend payable		**9,508**	–
Bank loans – due within one year		**93,881**	107,759
		235,533	242,559
Net Current Assets		**89,762**	77,356
Total Assets less Current Liabilities		**2,381,500**	2,441,488

Condensed Consolidated Statement of Financial Position *(Continued)*

At 31 December 2019

	Note	At 31 December 2019 HK$'000 (Unaudited)	At 30 June 2019 HK$'000 (Audited)
Capital and Reserves			
Share capital	*15*	**237,704**	228,324
Reserves		**1,828,993**	1,867,332
Equity attributable to owners of the Company		**2,066,697**	2,095,656
Non-controlling interests		**36,430**	36,862
Total Equity		**2,103,127**	2,132,518
Non-current Liabilities			
Deferred tax liabilities		**264,293**	293,795
Long-term rental deposits received		**14,080**	15,175
		278,373	308,970
		2,381,500	2,441,488

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note a)	Capital redemption reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Other reserve HK$'000 (Note b)	Statutory reserve HK$'000 (Note c)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2019 (audited)	228,324	431,264	55,018	1,644	171,942	4,747	92,451	9,673	1,100,593	2,095,656	36,862	2,132,518
Profit for the period	–	–	–	–	–	–	–	–	7,377	7,377	238	7,615
Exchange differences arising on translation	–	–	–	–	(39,347)	–	–	–	–	(39,347)	(670)	(40,017)
Total comprehensive (expense) income for the period	–	–	–	–	(39,347)	–	–	–	7,377	(31,970)	(432)	(32,402)
Issue of shares upon exercise of share options	9,380	7,211	–	–	–	(4,072)	–	–	–	12,519	–	12,519
Transfer of share option reserve upon lapse of share options	–	–	–	–	–	(675)	–	–	675	–	–	–
Cash dividends *(note 8)*	–	–	–	–	–	–	–	–	(9,508)	(9,508)	–	(9,508)
At 31 December 2019 (unaudited)	**237,704**	**438,475**	**55,018**	**1,644**	**132,595**	**-**	**92,451**	**9,673**	**1,099,137**	**2,066,697**	**36,430**	**2,103,127**
At 1 July 2018 (audited)	225,174	429,673	55,018	1,644	261,591	6,303	92,451	9,529	1,067,615	2,148,998	38,186	2,187,184
Profit for the period	–	–	–	–	–	–	–	–	44,418	44,418	730	45,148
Exchange differences arising on translation	–	–	–	–	(81,451)	–	–	–	–	(81,451)	(1,481)	(82,932)
Total comprehensive (expense) income for the period	–	–	–	–	(81,451)	–	–	–	44,418	(37,033)	(751)	(37,784)
Issue of shares upon exercise of share options	3,150	1,591	–	–	–	(1,180)	–	–	–	3,561	–	3,561
Cash dividends *(note 8)*	–	–	–	–	–	–	–	–	(9,133)	(9,133)	–	(9,133)
At 31 December 2018 (unaudited)	228,324	431,264	55,018	1,644	180,140	5,123	92,451	9,529	1,102,900	2,106,393	37,435	2,143,828

Notes:

(a) The special reserve of the Group arose from the difference between the aggregate amount of the then share capital, share premium, general reserve and retained profits of the subsidiaries acquired, and the nominal amount of the Company's shares issued for the acquisition in relation to a previous group reorganisation.

(b) The other reserve of the Group represents deemed contributions from equity holders of the Company which arose from the difference between the fair value of consideration paid and payable and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired through acquisition of the subsidiaries during the year ended 30 June 2006.

(c) The statutory reserve transferred from retained profits are required by relevant People's Republic of China (the "**PRC**") laws and regulations applicable to the Company's PRC subsidiary. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from operating activities	**16,748**	25,769
Net cash (used in) from investing activities		
Interest received	**1,694**	1,798
Placement of pledged bank deposits	**(3,291)**	(1,426)
Purchase of property, plant and equipment	**(77)**	(803)
(Placement) withdrawal of fixed bank deposits	**(14,664)**	6,533
	(16,338)	6,102
Net cash used in financing activities		
Issue of shares upon exercise of share options	**12,519**	3,561
Repayment of bank loans	**(14,000)**	(4,000)
Repayment of lease liabilities	**(1,172)**	–
Interest paid	**(1,977)**	(2,176)
	(4,630)	(2,615)
Net (decrease) increase in cash and cash equivalents	**(4,220)**	29,256
Cash and cash equivalents at beginning of the period	**102,835**	94,071
Effect of foreign exchange rate changes	**(2,437)**	(3,895)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**96,178**	119,432

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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(FRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

*2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" ("**HKFRS 16**")*

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("**HKAS 17**") and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

*2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" ("**HKFRS 16**") (Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

*2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" ("**HKFRS 16**") (Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

*2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" ("**HKFRS 16**") (Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

*2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" ("**HKFRS 16**") (Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 July 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

*2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" ("**HKFRS 16**") (Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(FRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the PRC and properties in Hong Kong was determined on a portfolio basis.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

*2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" ("**HKFRS 16**") (Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$3,428,000 and right-of-use assets of HK$3,428,000 at 1 July 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.1% per annum.

	At 1 July 2019 *HK$'000*
Operating lease commitments disclosed as at 30 June 2019	3,898
Less: Recognition exemption – short-term leases	(287)
Operating lease commitments before discounting as at 30 June 2019	3,611
Lease liabilities discounted at relevant incremental borrowing rates	3,428
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 at 1 July 2019	3,428
Analysed as	
Current	2,367
Non-current	1,061
	3,428

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

*2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" ("**HKFRS 16**") (Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

The carrying amount of right-of-use assets as at 1 July 2019 comprises the following:

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating lease recognised upon application of HKFRS 16	3,428

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 July 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 July 2019. However, effective on 1 July 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Effective on 1 July 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

*2.1 Impacts and changes in accounting policies on application of HKFRS 16 "Leases" ("**HKFRS 16**") (Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2019	Adjustments	Carrying amounts under HKFRS 16 at 1 July 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	–	3,428	3,428
Current liabilities			
Lease liabilities	–	(2,367)	(2,367)
Non-current liabilities			
Lease liabilities	–	(1,061)	(1,061)

3. REVENUE AND SEGMENT INFORMATION

Information reported to the board (the "**Board**") of directors (the "**Directors**") 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 HKFRS 8 "Operating Segments".

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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)							
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT REVENUE								
REVENUE								
External sales	**17,903**	18,276	**30,879**	35,010	**–**	–	**48,782**	53,286
SEGMENT RESULT	**2,822**	13,175	**(2,462)**	43,815	**(92)**	(94)	**268**	56,896
Unallocated other income							**6,710**	4,336
Unallocated corporate expenses							**(14,228)**	(13,624)
Finance costs							**(2,038)**	(2,209)
Share of loss of a joint venture							**(4,721)**	(5,084)
(Loss) profit before taxation							**(14,009)**	40,315

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, 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Included in other income, gains and losses are:		
Bank interest income	**2,396**	2,299
Exchange loss, net	**(2,261)**	(5,058)
Imputed interest income on amount due from a joint venture	**6,350**	6,871

5. FINANCE COSTS

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**1,978**	2,209
Interest on lease liabilities	**60**	–
	2,038	2,209

6. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**268**	173
Depreciation of right-of-use assets	**1,170**	–
Operating lease rentals in respect of short-term leases	**366**	–

7. TAXATION

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The tax (credit) charge comprises:		
Current tax in the PRC (other than Hong Kong)		
Current period	**2,570**	3,566
Deferred tax credit	**(24,194)**	(8,399)
	(21,624)	(4,833)

7. TAXATION *(Continued)*

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.

8. DIVIDENDS

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Final dividend payable in respect of year ended 30 June 2019 of 4 Hong Kong cents (2018: 4 Hong Kong cents) per share	**9,508**	9,133

During the current interim period, a final dividend of 4 Hong Kong cents per share in respect of the year ended 30 June 2019 (2018: 4 Hong Kong cents per share in respect of the year ended 30 June 2018) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the interim period amounted to HK$9,508,000 (six months ended 31 December 2018: HK$9,133,000).

Subsequent to the end of the current interim period, the Directors of the Company have determined that an interim dividend of HK$2 cents per share amounting to HK$4,754,000 in aggregate (2018: HK$6,850,000) will be paid to the owners of the Company whose names appear in the Register of Members on 9 April 2020.

9. 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	
	2019	2018
	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)	**7,377**	44,418

9. EARNINGS PER SHARE *(Continued)*

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**234,810,529**	225,560,909
Effect of dilutive potential ordinary shares on share options	**3,384,744**	12,228,316
Number of ordinary shares for the purpose of diluted earnings per share	**238,195,273**	237,789,225

10. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2019 (audited)	2,051,020
Exchange realignment	(36,937)
Decrease in fair value of investment properties	(33,463)
At 31 December 2019 (unaudited)	**1,980,620**

The fair value of the Group's investment properties (including commercial and car parking portion and office unit) as at 30 June 2019 and 31 December 2019 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 loss arising from decrease in fair value of HK$33,463,000 (six months ended 31 December 2018: net gain arising from increase in fair value of HK$14,923,000) which has been recognised in profit or loss. All the investment properties are situated in the PRC.

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

	At 31 December 2019 ***HK$'000*** **(Unaudited)**	At 30 June 2019 *HK$'000* (Audited)
Cost of investment, unlisted	**186,469**	188,154
Share of post-acquisition losses and reserves	**(99,450)**	(94,549)
	87,019	93,605
Amount due from a joint venture	**218,306**	215,712

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 2019 which has not been recognised by the Group amounted to HK$10,368,000 (30 June 2019: HK$10,368,000), as the Directors consider the result of the arbitration is subject to the agreement of the Chinese joint venture partner.

11. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE *(Continued)*

Note: (Continued)

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 2019: 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$87,019,000 and HK$218,306,000, respectively as at 31 December 2019. 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 2019 and 30 June 2019 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.

12. LOAN RECEIVABLES

	At 31 December 2019 *HK$'000* (Unaudited)	At 30 June 2019 *HK$'000* (Audited)
Loan receivables	**1,489**	1,516
Less: Allowance for credit losses	**(1,489)**	(1,516)
	–	–

The loan receivables were unsecured and interest-free. The amounts were all past due at the end of the reporting period.

13. TRADE AND OTHER RECEIVABLES

For property sales, the Group allows an average credit period of 30 days (30 June 2019: 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$6,361,000 (30 June 2019: HK$7,655,000), net of allowance for credit losses of HK$3,105,000 (30 June 2019: HK$3,161,000), presented based on invoice date at the end of the reporting period:

	At 31 December 2019 *HK$'000* (Unaudited)	At 30 June 2019 *HK$'000* (Audited)
0–30 days	**2,905**	3,155
31–60 days	**86**	92
61–90 days	**53**	397
More than 90 days	**212**	850
	3,256	4,494

14. TRADE AND OTHER PAYABLES

At 31 December 2019, the balance of trade and other payables included trade payables of HK$980,000 (30 June 2019: HK$914,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	At 31 December 2019 ***HK$'000*** **(Unaudited)**	At 30 June 2019 *HK$'000* (Audited)
0–60 days	**602**	868
Over 60 days	**378**	46
	980	914

The other payables mainly include rental deposits received of HK$10,875,000 (30 June 2019: HK$12,172,000), receipt in advance of HK$4,553,000 (30 June 2019: HK$5,991,000), accrued staff costs of HK$4,546,000 (30 June 2019: HK$4,388,000) and other tax payable of HK$6,182,000 (30 June 2019: HK$5,820,000).

15. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*
Ordinary shares of HK$1.00 each		
Authorised:		
At 1 July 2018, 30 June 2019 and **31 December 2019**	**300,000,000**	**300,000**
Issued and fully paid:		
At 1 July 2018	225,173,681	225,174
Issue upon exercise of share options *(Note)*	3,150,000	3,150
At 30 June 2019 and 1 July 2019	228,323,681	228,324
Issue upon exercise of share options *(Note)*	9,380,000	9,380
At 31 December 2019	**237,703,681**	**237,704**

Note: During the six months ended 31 December 2019, the Company issued 9,380,000 (year ended 30 June 2019: 3,150,000) ordinary shares of HK$1 each upon exercise of share options. The weighted average exercise price of the share options during the period was HK$1.33 (2018: HK$1.13) per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

16. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS

The Company previously adopted a share option scheme on 21 December 2001 (the "**2001 Scheme**"). On 9 December 2011, an ordinary resolution was passed by the shareholders at the annual general meeting of the Company approving the adoption of a new share option scheme (the "**2011 Scheme**") which will expire on 8 December 2021 and the simultaneous termination of the 2001 Scheme with effect from 9 December 2011. Both the 2001 Scheme and 2011 Scheme were adopted for the purpose of providing incentives to Directors, employees and eligible participants.

Under both the 2001 Scheme and 2011 Scheme, the Board of the Company may grant share options (the "**Options**") to Directors, employees of the Company and its subsidiaries and such eligible participants at the discretion of the Board of the Company pursuant to the terms thereof, to subscribe for shares of the Company (the "**Shares**"), at a price per Share not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotation sheets on the date of grant of the relevant Option, which must be a trading day; (ii) the average of the closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of the relevant Option; and (iii) the nominal value of a Share.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the share option schemes shall not in aggregate exceed 10% of the issued share capital of the Company at the date of the adoption of the relevant share option scheme. Under the 2011 Scheme, such 10% represents 21,910,368 Shares, which continue to represent about 10% of the issued share capital of the Company as at the date of passing the relevant resolutions. No Director, employee or eligible participant may exercise option(s) granted to him or her under the share option scheme if such exercise would result in him or her subscribing for more than 1% of the issued share capital of the Company as at the date of such new grant in any 12-month period. The option period for which the options granted are exercisable, shall be such period as notified by the Board of the Company, save that it shall not be more than ten years from the date of grant. A nominal consideration of HK$1 is payable by the grantee on acceptance of each grant. The offer of a grant of share options may be accepted within 28 days from the date of the offer.

As at 31 December 2019, all share options under the 2001 Scheme and 2011 Scheme had been exercised or lapsed. As at 30 June 2019, the number of Shares in respect of which Options had been granted and remained outstanding under the 2001 Scheme and the 2011 Scheme were 10,180,000 Shares and 1,000,000 Shares respectively, representing 4.7% and 0.5% of the Shares in issue as at the date of approval of the 2001 Scheme and 2011 Scheme.

16. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS *(Continued)*

The following tables disclose details of the Company's Options:

For the six months ended 31 December 2019

			Number of Options				
Date of grant	Exercise price per Share *HK$*	Exercisable period	Outstanding at 1 July 2019	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2019
2001 Scheme							
25 October 2011	1.13	25 October 2011 to 24 October 2019	**10,180,000**	**–**	**(8,380,000)**	**(1,800,000)**	**–**
Exercisable at the end of the period							**–**
Weighted average exercise price *(HK$)*			**1.13**	**–**	**1.13**	**–**	**–**
2011 Scheme							
10 November 2015	3.05	10 November 2015 to 24 October 2019	**1,000,000**	**–**	**(1,000,000)**	**–**	**–**
Exercisable at the end of the period							**–**
Weighted average exercise price *(HK$)*			**3.05**	**–**	**3.05**	**–**	**–**

16. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS *(Continued)*

For the six months ended 31 December 2018

			Number of Options				
Date of grant	Exercise price per Share *HK$*	Exercisable period	Outstanding at 1 July 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2018
2001 Scheme							
25 October 2011	1.13	25 October 2011 to 24 October 2019	14,330,000	–	(3,150,000)	–	11,180,000
Exercisable at the end of the period							11,180,000
Weighted average exercise price *(HK$)*			1.13	–	1.13	–	1.13
2011 Scheme							
10 November 2015	3.05	10 November 2015 to 24 October 2019	1,000,000	–	–	–	1,000,000
Exercisable at the end of the period							1,000,000
Weighted average exercise price *(HK$)*			3.05	–	–	–	3.05

Options exercised during the six months ended 31 December 2019 resulted in 9,380,000 (six months ended 31 December 2018: 3,150,000) Shares being issued. The related weighted average closing price of the Share immediately before the dates on which the Options were exercised was HK$10.57 (six months ended 31 December 2018: HK$7.52) per share.

For the Options granted on 25 October 2011 and 10 November 2015, the fair value of each Option determined as at the date of grant using the binomial option pricing model was HK$0.375 and HK$0.930 respectively.

Save as disclosed above, no other option was granted under the 2001 Scheme and 2011 Scheme since their adoption. The remaining share options under the 2001 Scheme lapsed during the six months ended 31 December 2019.

17. CONTINGENT LIABILITIES

The Group has given guarantees in respect of the settlement of home loans provided by banks to the home buyers of a property project in Beijing, the PRC. At 31 December 2019, the Group had given guarantees in respect of such home loans of HK$697,000 (30 June 2019: HK$1,032,000). The Directors 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 to value ratio.

18. RELATED PARTY DISCLOSURES

Other than those disclosed in notes 4 and 11, during the period, the Group has entered into the following transactions with related companies:

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Rental income received	**349**	55
Other income received	**225**	225
Rental and management fees paid	**2,543**	2,143
Consultancy service fees paid	**1,100**	1,100
Agency fees paid	**348**	366

Other outstanding balances with the following related companies, which are unsecured, interest-free and repayable on demand, at 31 December 2019 and 30 June 2019, are as follows:

	At 31 December 2019	At 30 June 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Deposits due from related companies included in other receivables	**515**	515
Amounts due from related companies included in other receivables	**1,387**	2,548
Amount due to a related company included in other payables	**2,245**	1,847
Amount due from a non-controlling shareholder	**854**	301

The related companies are companies controlled by certain Directors.

During the current interim period, the emoluments of key management personnel were HK$1,121,000 (six months ended 31 December 2018: HK$1,723,000).

19. EVENT AFTER THE END OF THE REPORTING PERIOD

The Directors of the Company consider that the outbreak of the 2019 Novel Coronavirus ("**COVID-19**") may affect the financial performance and position of the Group including rental revenue and occupancy rate of investment properties, allowance for expected credit losses on trade receivables, fair value of investment properties, reversal of deferred tax liabilities and so on. These impact may be reflected in the financial statements of the Group for the year ending 30 June 2020. Meanwhile, due to the inherent nature and unpredictability of future development of the virus and market sentiment, the Directors are still assessing the financial impact that COVID-19 will have on the financial statements of the Group as at the date that these condensed consolidated financial statements are authorised for issue.