



DYNAMIC HOLDINGS LIMITED

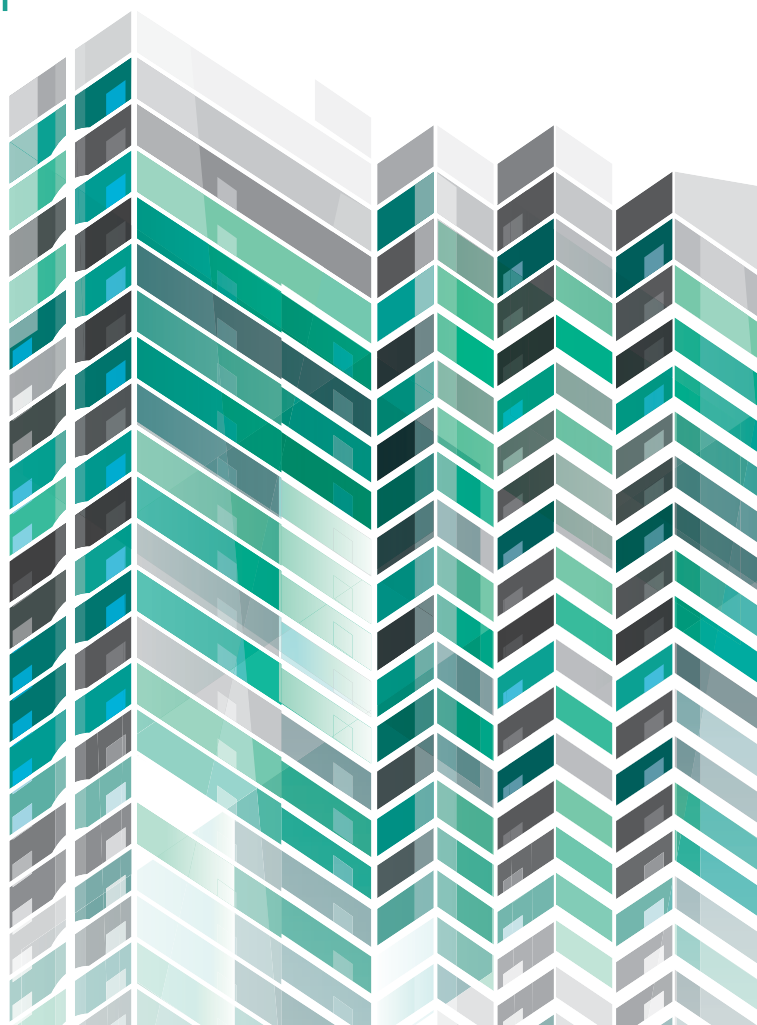
達力集團有限公司

Incorporated in Bermuda with limited liability

Stock Code : 29

INTERIM REPORT

2020/21





www.dynamic.hk



This interim report is printed on environmentally friendly paper.



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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
Registered Public Interest Entity Auditors

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	1 April 2021
Book-close Dates	7 April 2021 – 9 April 2021 (both days inclusive)
Record Date for Interim Dividend	9 April 2021
Payment of Interim Dividend	26 April 2021



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 2020, which have been reviewed by external auditor of the Company, Deloitte Touche Tohmatsu.

INTERIM RESULTS

For the six months ended 31 December 2020, the Group reported a total revenue of HK\$42,337,000 (2019: HK\$48,782,000) and gross profit of HK\$29,607,000 (2019: HK\$34,823,000), showing decrease of about 13% and 15% respectively compared with those of the previous corresponding period. 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 70% (2019: 71%).

During the period under review, the Group accounted for other income of HK\$19,384,000 (2019: HK\$7,249,000), which arose mainly from imputed and bank interest income in the sum of HK\$9,431,000 (2019: HK\$8,746,000) with net exchange gain of HK\$5,995,000 (2019: net exchange loss of HK\$2,261,000) due to the appreciation of RMB against Hong Kong dollar (“**HKD**”). In addition, the Group recognised an aggregate decrease of HK\$84,669,000 (2019: HK\$33,463,000) in the fair value of the investment properties under subdued market sentiment, and administrative expenses for the period amounted to HK\$23,188,000 (2019: HK\$15,581,000).

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 loss for the period attributable to shareholders of the Company in the sum of HK\$34,086,000 (2019: profit of HK\$7,377,000), with basic loss per share of 14.34 Hong Kong cents (2019: basic earnings of 3.14 Hong Kong cents).

In addition, due to exchange difference on currency translation to presentation currency in HKD from functional currency in RMB, which appreciated against HKD by 7.9% (2019: devalued by 1.8%) in the period, the other comprehensive income was HK\$172,215,000 (2019: other comprehensive expense of HK\$40,017,000), and the total comprehensive income attributable to shareholders of the Company amounted to HK\$134,950,000 (2019: total comprehensive expense of HK\$31,970,000) in the period.



INTERIM DIVIDEND

The Directors have declared an interim dividend of 1 Hong Kong cent (2019: 2 Hong Kong cents) per share for the six months ended 31 December 2020 to the shareholders of the Company whose names appear on the register of members on Friday, 9 April 2021. The warrants for the interim dividend are expected to be despatched to those entitled on or about Monday, 26 April 2021.

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), which performed adversely as compared with those of the last corresponding period in the view of the impact of the COVID-19 pandemic and weakened leasing sentiment in mainland China.

The rental income of the Group generated from its investment properties in two major cities, Shanghai and Beijing, was in the amount of RMB36,852,000 (2019: RMB43,733,000), showing a drop of about 16% as compared with that of last corresponding period. Such rental income was presented in the financial statements in the sum of HK\$42,337,000 (2019: HK\$48,782,000), which represented all (2019: all) of the consolidated revenue income of the Group in the period. The fair value of these investment properties of the Group comprising shopping malls, car parks and other certain properties in Beijing and office units in Shanghai devalued in the sum of RMB73,700,000 (2019: RMB30,000,000), translating into a decrease of HK\$84,669,000 (2019: HK\$33,463,000) in the period under weak market sentiment. As such, the segment results of property rental recorded a loss of RMB46,270,000 (2019: a profit of RMB322,000), presenting in a loss of HK\$53,156,000 (2019: a profit of HK\$360,000), which decrease was primarily due to the drop in fair value of these investment properties. As these investment properties are held as long-term investment for recurring rental income, such loss, being non-cash in nature, does not materially affect the cash flows and working capital of the Group. Excluding the effects of the changes in fair value of these investment properties and related tax effect, the underlying segment results would have been a profit of RMB27,430,000 (2019: RMB30,322,000), showing a drop of about 9.5% as compared with that of the last corresponding period.

BUSINESS REVIEW *(Continued)*

In Beijing, the rental income generated from the well-established community mall of the Group in Chaoyang District declined with average occupancy rate about 78% (2019: 90%) throughout the period. In addition, the rental income of this segment in the period totaled RMB11,460,000 (2019: RMB16,050,000) showing a decline of about 29% due to rent concessions to tenants and stagnant retail leasing after the lock-down period, as compared with that of the last corresponding period. It translated into HK\$13,165,000 (2019: HK\$17,903,000) which accounted for 31% (2019: 37%) of the total revenue of the Group. The fair value of these investment properties devalued in the sum of RMB13,700,000 (2019: RMB6,000,000 for the community mall (including car parks) but excluding the other certain properties), translating into HK\$15,739,000 (2019: HK\$6,693,000). After taking into account of the changes in fair value of these investment properties and relevant costs, a loss of HK\$5,505,000 (2019: a profit of HK\$2,822,000 for the community mall (including car parks) but excluding the other certain properties) was recorded in the segment results 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 had an average occupancy rate of about 77% (2019: 80%) in the period, whereas the rental income was in the sum of RMB25,392,000 (2019: RMB27,683,000), showing a decrease of about 8% under the impact of the COVID-19 pandemic, looming oversupply of office and decentralisation of leasing in emerging submarkets, as compared with that of the last corresponding period. It translated into HK\$29,172,000 (2019: HK\$30,879,000) which accounted for 69% (2019: 63%) of the total revenue of the Group in the period. The fair value of these investment properties decreased in the sum of RMB60,000,000 (2019: RMB24,000,000) amidst stagnant market sentiment, translating to HK\$68,930,000 (2019: HK\$26,771,000). After taking into account of the changes in fair value of these investment properties and relevant costs, the above segment recorded a loss of HK\$47,651,000 (2019: HK\$2,462,000) 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 a piece of land located in Tung Kok Tau, Nanshan District, Shenzhen (the “**Existing Land**”), continued its proceedings of compulsory liquidation (the “**Compulsory Liquidation**”) which commenced in July 2016 under supervision of the PRC court and management of a liquidation committee (the “**Liquidation Committee**”) as appointed by the court in the People’s Republic of China (the “**PRC**”).



BUSINESS REVIEW *(Continued)*

In the period, the Group continued to closely 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 regarding the Compulsory Liquidation, compensation for demolition and relocation of occupants on the Existing Land and swap of the land (the “**Land Swap**”) under the official agreement for the Land Swap (the “**Agreement**”) 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 August 2019 in accordance with the relevant laws and regulations, as announced on 11 September 2019.

Pursuant to the Agreement, Zhen Wah and the Bureau agreed to the Land Swap such that the Existing Land which is owned or occupied by Zhen Wah has to be surrendered by Zhen Wah 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.

In the period under review, the Group kept on working closely with the relevant parties for demolition, relocation and compensation of an ex-tenant regarding the delivery of vacant possession of the Surrender Land and for various appropriate applications and approvals as required 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 metro lines and station nearby. Furthermore, an agreement with the relevant official authorities was concluded for demolition, relocation and compensation of those buildings, erections and equipment on the Surrender Land, which is subject to, among others, clearance and delivery of those buildings, erections and equipment thereon by Zhen Wah to the relevant official authorities as agreed; and settlement of any economic disputes by 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.

BUSINESS REVIEW *(Continued)*

Meanwhile, the adjustment of the 法定圖則 (statutory plans), the approval of 用地方案圖 (Land Use Plan) and 建設用地規劃許可證 (Land Construction Planning Permit) for the New Land were granted in favour of Zhen Wah in the period. The New Land comprises two plots of land with site area of approximately 109,000 square metres and land usage as residential, commercial including office and supporting ancillary facilities, of which the total developable gross floor area is approximately 395,000 square metres for multi-purpose development.

As further announced on 29 January 2021, 深圳市中級人民法院 (Shenzhen Intermediate People's Court) in the PRC 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 2021.

Regarding the application for international arbitration (the “**Arbitration**”) with Shenzhen Court of International Arbitration (also known as South China International Economic and Trade Arbitration Commission) (the “**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 “**Shareholders' Agreement**”) and as announced on 31 July 2020, an arbitral award dated 14 July 2020 relating to the Arbitration was made by the Arbitration Commission (the “**Arbitral Award**”). Pursuant to Arbitral Award, compensations (政府收地補償) paid or to be paid by the Shenzhen municipality government for resumption of part of the Existing Land from Zhen Wah on various occasions prior to 2012 do not constitute rent, income or profit generated from the Existing Land under the Shareholders' Agreement, pursuant to which the Group is entitled to 80%. This does not affect the Group's entitlement to 49% equity interests in Zhen Wah, including but not limited to repayment of all debts and applicable expenses prior to any distribution. Irrespective of the result of the Arbitration, Zhen Wah will be wound up in the liquidation process in due course. And the Group continued to seek legal advice and take expedient action to strive for best interest of the Group in Zhen Wah and its assets.



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 2020, the equity attributable to owners of the Company amounted to RMB1,786,784,000 (30 June 2020: RMB1,815,945,000) with net asset value per share of RMB7.52 (30 June 2020: RMB7.64), translating to HK\$2,122,979,000 (30 June 2020: HK\$1,988,029,000) with net asset value per share of HK\$8.93 (30 June 2020: HK\$8.36). Total bank borrowings of the Group amounted to about HK\$97,586,000 (30 June 2020: HK\$99,507,000), which were secured in Hong Kong dollars and repayable within three years on floating interest rate. As at 31 December 2020, the gearing ratio of the Group was 5% (30 June 2020: 5%) based on the total debt of the Group to its equity attributable to owners of the Company. The exposure to foreign currency fluctuations of the Group in the period under review was mainly the appreciation of RMB against HKD, resulting in the net exchange gain of HK\$5,995,000 (six months ended 31 December 2019: net exchange loss of HK\$2,261,000) and exchange difference on translation functional currency of RMB to presentation currency of HKD, amounting to other comprehensive income of HK\$172,215,000 (six months ended 31 December 2019: other comprehensive expense of HK\$40,017,000) 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 2020, the bank balance and deposits and cash of the Group stood at HK\$321,983,000 (30 June 2020: HK\$279,360,000) in aggregate and denominated primarily in RMB. With sufficient cashflow, the Group maintained un-utilised credit facilities of HK\$11,000,000 (30 June 2020: HK\$11,000,000) as working capital at floating interest rate. The Group's net current assets amounted to HK\$188,999,000 (30 June 2020: HK\$169,050,000) with current ratio of 2.28 as at 31 December 2020 (as at 30 June 2020: 2.21). No significant capital expenditure commitments and authorisations was made in the period under review.



MANAGEMENT STATEMENT *(Continued)*

FINANCIAL REVIEW *(Continued)*

Pledge of Assets and Contingent Liabilities

As at 31 December 2020, the Group pledged its properties with a total carrying value of HK\$817,452,000 (30 June 2020: HK\$798,082,000), 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\$3,013,000 (30 June 2020: HK\$4,235,000) 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 2020, the Group had given guarantees in respect of such home loans of HK\$269,000 (30 June 2020: HK\$511,000). 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

Notwithstanding challenges related to the adverse impact of the COVID-19 pandemic and the on-going China-U.S. tensions, mainland China's determined approach with swift action and control to contain the COVID-19 pandemic has proven to be effective such that mainland China's economy can be expected to resume on its path to stable and sustainable growth coupled with appropriate official effort and supporting fiscal, economic and social measures to curtail the post-pandemic impact. It is believed that mainland China will leverage its huge domestic market and rising urbanisation rate, focusing on a robust domestic demand and digital innovation to boost consumption and unleash market potential that will improve leasing activities of the office and retail sectors. This is expected to lead to a rebound in consumption bringing back business and consumer confidence in mainland China spurring retailer's investment in store network expansion which will serve as a positive catalyst for our investment properties in Beijing and Shanghai.



PROSPECTS *(Continued)*

In Beijing, it is expected vacancy rates will generally stabilise in 2021 with rents requiring additional time to fully recover to pre-COVID-19 pandemic level in the short-term. To safeguard tenants and maintain occupancy rate and recurring revenue, the Group will endeavor to adjust leasing and marketing strategies, to revamp tenant mix alongside with competitive and effective rental strategies to attract new retailers and retain existing retailers.

In Shanghai, it is expected that there will be a better or stable business environment under the rebound in the economy in mainland China leading to increase in business confidence. However, the net demand for office space in core business districts will encounter keen competition, in the form of cost-saving leasing terms, competitive rental and diversified leasing services, all presenting downward pressure on office rental income in Lujiazui in the short-term. Yet, it is believed that the new metro line and station near Eton Place to be completed in 2021/2022 will enhance its prime location for leasing. Meanwhile, the Group will continue to deploy its competitive and effective rental strategies from time to time to attract new tenants and retain existing tenants so as to enhance rental level and leasing rate of the Group.

Shenzhen, as the official Shenzhen Demonstration Pilot Zone and high-tech hub, is expected to further grow into a center of innovation, entrepreneurship and creativity with high-quality development and increasing global influence under official support, and act as the main driver for the development of Guangdong-Hong Kong-Macao Greater Bay Area. This will enhance the 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 advice and to further strive for the best interest of the Group in Zhen Wah and its assets.



MANAGEMENT STATEMENT *(Continued)*

PROSPECTS *(Continued)*

Meanwhile, the Group will continue to work with the relevant parties to monitor and procure the progress of Land Swap including demand for ex-tenant(s) to duly vacate and deliver the Surrender Land, and to optimise city planning of the New Land in line with the projects of opera house and infrastructure nearby. However, there is no assurance that the Land Swap can be completed without further significant delay and impediments, or that the execution of the relevant land contract will not 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 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 Wednesday, 7 April 2021 to Friday, 9 April 2021 (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 Thursday, 1 April 2021.



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2020, 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)			Aggregate interests	Total interests as approximate percentage of issued share capital <i>(note iv)</i>
	Personal interests	Family interests	Other interests <i>(note iii)</i>		
Dr. TAN Lucio C. <i>(note i)</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. <i>(note ii)</i>	2,190,000	2,190,000	89,321,279	93,701,279	39.42%
Mr. PASCUAL Ramon Sy	1,582,000	–	–	1,582,000	0.67%
Mr. CHONG Kim Chan, Kenneth	1,000,000	–	–	1,000,000	0.42%
Dr. FOK Kam Chu, John	558,000	–	–	558,000	0.23%
Mr. GO Patrick Lim	846,000	–	–	846,000	0.36%

- 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.
- 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

(Continued)

- 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. 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 2020.

Save as disclosed above, as at 31 December 2020, 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 2020.

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 2020.



SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2020, 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 (long position)	Total interests (long position)	Total interests as approximate percentage of issued share capital <i>(note ii)</i>
Zedra Asia Limited	Trustee of a private discretionary trust <i>(note i)</i>	89,321,279	89,321,279	37.58%

- Notes:
- i. Zedra Asia Limited 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 Zedra Asia Limited, as trustee for a private discretionary trust.
 - ii. 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 2020.

Save as disclosed above, as at 31 December 2020, 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 2020, the Group had about 55 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 2020, 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 2020 HK\$'000 (Unaudited)
Shenzhen Zhen Wah Harbour Enterprises Ltd. ("Zhen Wah") (Note)	49%	245,849

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.



DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES *(Continued)*

Pursuant to the continuing disclosure requirements under rule 13.22 of the Listing Rules, the 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 2020 are disclosed as follows:

	Statement of financial position <i>HK\$'000</i> (Unaudited)	Group's attributable interests <i>HK\$'000</i> (Unaudited)
Non-current assets	249,551	122,280
Current assets	24,417	11,964
Current liabilities	(38,941)	(19,081)
Non-current liabilities	(245,849)	(120,466)
Net liabilities	(10,822)	(5,303)

CORPORATE GOVERNANCE

Throughout the six months ended 31 December 2020, 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 4 December 2020 (the “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.



MANAGEMENT STATEMENT *(Continued)*

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 the unaudited condensed consolidated financial statements of the Group and this interim report for the six months ended 31 December 2020.

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

Hong Kong, 24 February 2021

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Deloitte.

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TO THE BOARD OF DIRECTORS OF DYNAMIC HOLDINGS LIMITED

達力集團有限公司

(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 21 to 40, which comprise the condensed consolidated statement of financial position as of 31 December 2020 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, 24 February 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2020

	Notes	Six months ended 31 December	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	42,337	48,782
Direct costs		(12,730)	(13,959)
Gross profit		29,607	34,823
Other income, gains and losses	4	19,384	7,249
Decrease in fair value of investment properties	10	(84,669)	(33,463)
Administrative expenses		(23,188)	(15,581)
Selling expenses		(271)	(278)
Finance costs		(985)	(2,038)
Share of loss of a joint venture	5	(3,851)	(4,721)
Loss before taxation	6	(63,973)	(14,009)
Taxation	7	29,874	21,624
(Loss) profit for the period		(34,099)	7,615
Other comprehensive income (expense)			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences on translation to presentation currency		172,215	(40,017)
Total comprehensive income (expense) for the period		138,116	(32,402)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 31 December 2020

	<i>Note</i>	Six months ended 31 December	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		(34,086)	7,377
Non-controlling interests		(13)	238
		(34,099)	7,615
Total comprehensive income (expense) attributable to:			
Owners of the Company		134,950	(31,970)
Non-controlling interests		3,166	(432)
		138,116	(32,402)
(Loss) earnings per share (<i>Hong Kong cents</i>)			
Basic	9	(14.34)	3.14
Diluted		(14.34)	3.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
Non-current Assets			
Property, plant and equipment		1,880	1,980
Right-of-use assets		6,720	1,067
Investment properties	10	1,986,122	1,910,689
Interest in a joint venture	11	81,922	78,918
Amount due from a joint venture	11	245,849	220,448
Other asset		1,425	1,313
		2,323,918	2,214,415
Current Assets			
Loan receivables	12	–	–
Trade and other receivables and prepayments	13	11,083	24,385
Amount due from a non-controlling shareholder		909	837
Pledged bank deposits		3,013	4,235
Fixed bank deposits		123,134	145,068
Bank balances and cash		198,849	134,292
		336,988	308,817
Current Liabilities			
Trade and other payables	14	47,597	46,401
Lease liabilities		2,324	1,131
Tax payable		94,231	88,395
Bank loans – due within one year		3,837	3,840
		147,989	139,767
Net Current Assets		188,999	169,050
Total Assets less Current Liabilities		2,512,917	2,383,465

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2020

		At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
Capital and Reserves			
Share capital	15	237,704	237,704
Reserves		1,885,275	1,750,325
Equity attributable to owners of the Company		2,122,979	1,988,029
Non-controlling interests		40,453	37,287
Total Equity		2,163,432	2,025,316
Non-current Liabilities			
Lease liabilities		4,468	–
Bank loan – due after one year		93,749	95,667
Deferred tax liabilities		241,846	253,404
Long-term rental deposits received		9,422	9,078
		349,485	358,149
		2,512,917	2,383,465

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2020

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Capital redemption reserve	Translation reserve	Share option reserve	Other reserve	Statutory reserve	Retained profits	Sub-total	Non-controlling interests		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2020 (audited)	237,704	438,475	55,018	1,644	94,471	-	92,451	9,878	1,058,388	1,988,029	37,287	2,025,316	
Loss for the period	-	-	-	-	-	-	-	-	(34,086)	(34,086)	(13)	(34,099)	
Exchange differences arising on translation	-	-	-	-	169,036	-	-	-	-	169,036	3,179	172,215	
Total comprehensive income (expense) for the period	-	-	-	-	169,036	-	-	-	(34,086)	134,950	3,166	138,116	
Transfer to other reserve	-	-	-	-	-	-	-	(196)	196	-	-	-	
At 31 December 2020 (unaudited)	237,704	438,475	55,018	1,644	263,507	-	92,451	9,682	1,024,498	2,122,979	40,453	2,163,432	
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 share upon exercise of share options	9,380	7,211	-	-	-	(4,072)	-	-	-	12,519	-	12,519	
Transfer of share option reserve upon forfeiture 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	

Notes:

- 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.
- 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.
- 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 2020

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	26,766	16,748
Net cash generated from (used in) investing activities		
Interest received	2,584	1,694
Placement of pledged bank deposits	–	(3,291)
Withdrawal of pledged bank deposits	1,530	–
Purchase of property, plant and equipment	(11)	(77)
Placement of fixed bank deposits	(1,290)	(14,664)
Withdrawal of fixed bank deposits	34,464	–
	37,277	(16,338)
Net cash used in financing activities		
Issue of shares upon exercise of share options	–	12,519
Repayment of bank loan	(2,000)	(14,000)
Repayment of lease liabilities	(1,159)	(1,172)
Interest paid	(828)	(1,977)
	(3,987)	(4,630)
Net increase (decrease) in cash and cash equivalents	60,056	(4,220)
Cash and cash equivalents at beginning of the period	134,292	102,835
Effect of foreign exchange rate changes	4,501	(2,437)
Cash and cash equivalents at end of the period, represented by bank balances and cash	198,849	96,178

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

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 additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2020 are the same as those presented in the Group’s annual financial statements for the year ended 30 June 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in the current 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2020

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Accounting policies newly applied by the Group

The Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income, gains and losses”.

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 with property sales in prior period.

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, car parks and residential units, are located in Shanghai and Beijing, the PRC. The property sales segment includes sales of the Group’s trading properties in Beijing, the PRC. During the year ended 30 June 2020, the Group ceased the business of property sales as the relevant properties held for sale have been rented out and Directors have changed the intention to hold to earn rentals and/or capital appreciation.

The revenue from property rental includes variable lease payments of HK\$1,975,000 (2019: HK\$3,066,000) that do not depend on an index or a fixed amount, the remaining amounts are lease payments that are fixed. The revenue from property sales is recognised at a point in time.

These divisions, property rental and property sales analysed based on distinct geographical locations, are the basis on which the Group reports its segment information under Hong Kong Financial Reporting Standard 8 “Operating Segments”.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2020

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		2020	2019
	2020	2019	Six months ended 31 December (Unaudited)		2020	2019		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
SEGMENT REVENUE								
REVENUE								
External sales	13,165	17,903	29,172	30,879	-	-	42,337	48,782
SEGMENT RESULT	(5,505)	2,822	(47,651)	(2,462)	-	(92)	(53,156)	268
Unallocated other income							16,152	6,710
Unallocated corporate expenses							(22,133)	(14,228)
Finance costs							(985)	(2,038)
Share of loss of a joint venture							(3,851)	(4,721)
Loss before taxation							(63,973)	(14,009)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the (loss) profit from each segment without the allocation of central administration costs, exchange gain (loss), bank interest income, imputed interest income on amount due from a joint venture, finance costs and share of loss of a joint venture. This is the measure reported to the Board 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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Included in other income, gains and losses are:		
Bank interest income	2,499	2,396
Exchange gain (loss), net	5,995	(2,261)
Imputed interest income on amount due from a joint venture	6,932	6,350
Government grants	516	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2020

5. FINANCE COSTS

	Six months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on bank loan	961	1,978
Interest on lease liabilities	24	60
	985	2,038

6. LOSS BEFORE TAXATION

	Six months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	270	268
Depreciation of right-of-use assets	1,196	1,170
Expenses relating to short-term leases	339	366

7. TAXATION

	Six months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The tax charge (credit) comprises:		
Current tax in the PRC (other than Hong Kong)		
Current period	2,204	2,570
Deferred tax credit	(32,078)	(24,194)
	(29,874)	(21,624)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2020

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

During the current interim period, no dividend in respect of the year ended 30 June 2020 (2019: a final dividend of 4 Hong Kong cents per share in respect of the year ended 30 June 2019) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the prior interim period amounted to HK\$9,508,000 and was paid in January 2020.

Subsequent to the end of the current interim period, the Directors of the Company have determined that an interim dividend of 1 Hong Kong cent per share amounting to HK\$2,377,000 in aggregate (2019: HK\$4,754,000) will be paid to the owners of the Company whose names appear in the register of members of the Company on 9 April 2021.

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the period attributable to owners of the Company)	(34,086)	7,377

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2020

9. (LOSS) EARNINGS PER SHARE (Continued)

	Six months ended 31 December	
	2020	2019
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	237,703,681	234,810,529
Effect of dilutive potential ordinary shares on share options	–	3,384,744
Number of ordinary shares for the purpose of diluted (loss) earnings per share	237,703,681	238,195,273

10. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1 July 2020 (audited)	1,910,689
Exchange realignment	160,102
Decrease in fair value of investment properties	(84,669)
At 31 December 2020 (unaudited)	1,986,122

The fair value of the Group's investment properties (including residential, commercial and car park portion and office units) as at 31 December 2020 and 30 June 2020 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 of residential and car park portion was arrived at with adoption of the direct comparison approach by making reference to comparable sales transactions as available in the market and the valuation of commercial portion and office units 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\$84,669,000 (six months ended 31 December 2019: HK\$33,463,000) which has been recognised in profit or loss. The ongoing 2019 Novel Coronavirus pandemic has resulted in greater market volatility and weakened leasing sentiment, which has led to a decrease in fair value of the investment properties. All the investment properties are situated in the PRC.

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

	At 31 December 2020 HK\$'000 (Unaudited)	At 30 June 2020 HK\$'000 (Audited)
Cost of investment, unlisted	191,520	184,787
Share of post-acquisition losses and reserves	(109,598)	(105,869)
	81,922	78,918
Amount due from a joint venture	245,849	220,448

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 to which the Group is entitled being 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 2020 which has not been recognised by the Group amounted to HK\$10,368,000 (30 June 2020: HK\$10,368,000), as the Directors consider the result of the arbitration is subject to the agreement of the Chinese joint venture partner.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2020

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 years. The Shenzhen Intermediate People's Court (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. As further announced on 29 January 2021, the PRC Court accepted the application lodged by the liquidation committee of Zhen Wah to further extend the period of compulsory liquidation of Zhen Wah for six months up to July 2021.

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 6% (30 June 2020: 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\$81,922,000 and HK\$245,849,000, respectively as at 31 December 2020. During the six months ended 31 December 2020, the adjustment of the statutory plans, the approval of land use plan and land construction planning permit for the new piece of land situated in Tung Kok Tau, Nanshan District, Shenzhen, were granted in favour of Zhen Wah. Based on the latest financial information and fair value of net assets of Zhen Wah, the Directors have concluded that the loss given default being minimal due to low loan to value ratio given the fair value of assets backing repayment of the advances. Therefore, no loss allowance was recognised.

Particulars of the joint venture as at 31 December 2020 and 30 June 2020 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 (<i>Note</i>)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2020

12. LOAN RECEIVABLES

	At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
Loan receivables	1,585	1,460
Less: Allowance for credit losses	(1,585)	(1,460)
	–	–

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 AND PREPAYMENTS

Rentals receivable from tenants are payable on presentation of invoices.

The following is an aged analysis of trade receivables of HK\$4,853,000 (30 June 2020: HK\$7,953,000), net of allowance for credit losses of HK\$2,272,000 (30 June 2020: HK\$3,045,000), presented based on invoice date at the end of the reporting period:

	At 31 December 2020 <i>HK\$'000</i> (Unaudited)	At 30 June 2020 <i>HK\$'000</i> (Audited)
0–30 days	2,440	3,404
31–60 days	82	766
61–90 days	56	337
More than 90 days	3	401
	2,581	4,908

As at 31 December 2020, included in the Group's trade receivable balances are debtors with a carrying amount of HK\$172,000 (30 June 2020: HK\$1,731,000) which are past due at the end of the reporting period for which the Group has provided allowance for credit losses of HK\$726,000 (six months ended 31 December 2019: HK\$1,482,000) under lifetime expected credit loss model and reversed the impairment allowance of HK\$1,758,000 (six months ended 31 December 2019: HK\$605,000) respectively. The Group does not hold any collateral over these balances. The average overdue age of these receivables is 65 days (30 June 2020: 76 days) overdue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2020

14. TRADE AND OTHER PAYABLES

At 31 December 2020, the balance of trade and other payables included trade payables of HK\$1,714,000 (30 June 2020: HK\$1,175,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	At 31 December 2020 HK\$'000 (Unaudited)	At 30 June 2020 HK\$'000 (Audited)
0–60 days	1,016	954
61–90 days	–	–
Over 90 days	698	221
	1,714	1,175

The other payables mainly include rental deposits received of HK\$16,855,000 (30 June 2020: HK\$16,483,000), receipt in advance of HK\$4,642,000 (30 June 2020: HK\$4,814,000) and other tax payable of HK\$5,505,000 (30 June 2020: HK\$5,413,000).

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$1.00 each		
Authorised:		
At 1 July 2019, 30 June 2020 and 31 December 2020	300,000,000	300,000
Issued and fully paid:		
At 1 July 2019	228,323,681	228,324
Issue upon exercise of share options (Note)	9,380,000	9,380
At 30 June 2020 and 31 December 2020	237,703,681	237,704

Note: During the year ended 30 June 2020, the Company issued 9,380,000 ordinary shares of HK\$1 each upon exercise of share options. The weighted average exercise price of the share options during the six months ended 31 December 2019 was HK\$1.33 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 30 June 2020, all share options under the 2001 Scheme and 2011 Scheme had been exercised or lapsed. As at 1 July 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.

During the six months ended 31 December 2020, no option under the 2001 Scheme and 2011 scheme had been granted, exercised or lapsed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2020

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

Date of grant	Exercise price per Share HK\$	Exercisable period	Number of Options				Outstanding at 31 December 2019
			Outstanding at 1 July 2019	Granted during the period	Exercised during the period	Lapsed during the period	
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	-	-

Options exercised during the six months ended 31 December 2019 resulted in 9,380,000 Shares being issued. The related weighted average closing price of the Share immediately before the dates on which the Options were exercised during the six months ended 31 December 2019 was HK\$10.57 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 share options under the 2001 Scheme lapsed during the six months ended 31 December 2019.



17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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 2020, the Group had given guarantees in respect of such home loans of HK\$269,000 (30 June 2020: HK\$511,000). 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Rental income received	501	349
Other income received	209	225
Interest expenses on lease liabilities	24	60
Expenses relating to short-term leases	103	103
Repayment to lease liabilities	1,159	1,232
Management fees expenses	1,580	1,208
Consultancy service fees paid	1,100	1,100
Agency fees/administrative expenses paid	793	348

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2020

18. RELATED PARTY DISCLOSURES *(Continued)*

Other outstanding balances with the following related companies, which are unsecured, interest-free and repayable on demand, at 31 December 2020 and 30 June 2020, are as follows:

	At 31 December 2020 HK\$'000 (Unaudited)	At 30 June 2020 HK\$'000 (Audited)
Lease liabilities <i>(Note)</i>	6,792	1,131
Deposits due from related companies included in other receivables	526	515
Amounts due from related companies included in other receivables	1,864	1,540
Amounts due to related companies included in other payables	3,037	3,351
Amount due from a non-controlling shareholder	909	837

Note: During the six months ended 31 December 2020, the Group entered into a lease agreement for the use of offices with a related company for 3 years. The Group has recognised an addition of right-of-use assets and lease liabilities of HK\$6,792,000 and HK\$6,792,000 respectively.

The related companies are companies controlled by certain Directors.

During the current interim period, the emoluments of key management personnel were HK\$1,428,000 (six months ended 31 December 2019: HK\$1,121,000).