



# DYNAMIC HOLDINGS LIMITED

## 達力集團有限公司

*(Incorporated in Bermuda with limited liability)*

Stock Code : 29

# 2022/23

## INTERIM REPORT





[www.dynamic.hk](http://www.dynamic.hk)



This interim report is printed on environmentally friendly paper.

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# CORPORATE AND INVESTOR INFORMATION

As at 24 February 2023

## BOARD OF DIRECTORS

### *Executive Directors*

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

### *Independent Non-executive Directors*

CHONG Kim Chan, Kenneth  
GO Patrick Lim  
NGU Angel  
MA Chiu Tak, Anthony

## AUDIT COMMITTEE

CHONG Kim Chan, Kenneth,  
*Chairman*  
GO Patrick Lim  
MA Chiu Tak, Anthony

## REMUNERATION COMMITTEE

CHONG Kim Chan, Kenneth,  
*Chairman*  
GO Patrick Lim  
MA Chiu Tak, Anthony

## NOMINATION COMMITTEE

GO Patrick Lim, *Chairman*  
CHONG Kim Chan, Kenneth  
MA Chiu Tak, Anthony

## COMPANY SECRETARY

WONG Oi Yee, Polly

## AUDITORS

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
*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

## CORPORATE AND INVESTOR INFORMATION *(Continued)*

As at 24 February 2023

### WEBSITES

www.dynamic.hk  
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  
17/F, Far East Finance Centre  
16 Harcourt Road  
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	31 March 2023
Book-close Dates	3 April 2023 – 6 April 2023 (both days inclusive)
Record Date for Interim Dividend	6 April 2023
Payment of Interim Dividend	28 April 2023

# 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 2022, which have been reviewed by external auditor of the Company, Deloitte Touche Tohmatsu.

## INTERIM RESULTS

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

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

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

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

## INTERIM DIVIDEND

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

## BUSINESS REVIEW

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

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

**BUSINESS REVIEW** (Continued)

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

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



### BUSINESS REVIEW *(Continued)*

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

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

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

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

### BUSINESS REVIEW *(Continued)*

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

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

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

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

As further announced on 20 January 2023, the Court accepted the application lodged by the Liquidation Committee to further extend the period of Compulsory Liquidation of Zhen Wah for six months up to July 2023.

## FINANCIAL REVIEW

### *Capital Structure*

The financial position of the Group remains sound and liquid, and its financing and treasury policies are managed and controlled at the corporate level and in a prudent manner during the period. The main objective is to utilise the Group's funds efficiently and to manage the financial risks effectively. At 31 December 2022, the equity attributable to owners of the Company amounted to RMB1,826,218,000 (30 June 2022: RMB1,825,456,000) with net asset value per share of RMB7.70 (30 June 2022: RMB7.70), translating into HK\$2,044,419,000 (30 June 2022: HK\$2,134,562,000) with net asset value per share of HK\$8.60 (30 June 2022: HK\$8.98). Total bank borrowings of the Group amounted to about HK\$69,918,000 (30 June 2022: HK\$91,833,000), which were secured in Hong Kong dollars and repayable within one year on floating rate basis. As at 31 December 2022, the gearing ratio of the Group was 3.4% (30 June 2022: 4.3%) based on the total debt of the Group to its equity attributable to owners of the Company. The exposure to foreign currency fluctuations affected the Group in the period under review was mainly the depreciation of RMB against HKD, resulting in the net exchange loss of HK\$4,494,000 (six months ended 31 December 2021: net exchange gain of HK\$1,238,000) and exchange difference on translation from functional currency in RMB to presentation currency in HKD, amounting to other comprehensive expense of HK\$92,204,000 (six months ended 31 December 2021: other comprehensive income of HK\$39,663,000) for the period under review. No financial instruments were used for hedging purpose in the period. The Group will continue to closely monitor the impact of fluctuation of RMB in order to minimise its adverse impact.

### FINANCIAL REVIEW *(Continued)*

#### *Financial Resources and Liquidity*

In the period under review, there was sufficient cashflow as generated by rental revenue of investment properties in Shanghai and Beijing. As at 31 December 2022, the bank balance and cash and fixed bank deposits of the Group stood at HK\$282,386,000 (30 June 2022: HK\$286,481,000) in aggregate and denominated primarily in RMB. With sufficient cashflow, the Group maintained un-utilised credit facilities of HK\$11,000,000 (30 June 2022: HK\$11,000,000) as working capital at floating interest rate. The Group's net current assets amounted to HK\$114,278,000 (30 June 2022: HK\$112,553,000) with current ratio of 1.56 as at 31 December 2022 (30 June 2022: 1.48). And no significant capital expenditure commitments and authorisations was made in the period.

#### *Pledge of Assets and Contingent Liabilities*

As at 31 December 2022, the Group pledged its properties with a total carrying value of HK\$785,877,000 (30 June 2022: HK\$823,209,000), an assignment of rental and sale proceeds from such properties and a charge over shares in respect of a wholly-owned subsidiary of the Group to financial institutions as security against general banking facilities granted to the Group, and also pledged certain of its bank deposits in the sum of HK\$17,124,000 (30 June 2022: HK\$36,624,000) to banks to secure banking facilities and home loans granted to the home buyers of property project of the Group. As at the end of the reporting period, the Group has no longer given guarantees in respect of settlement of home loans provided by banks to the home buyers of a property project in Beijing. The Group previously gave guarantees in respect of such home loans of HK\$5,000 as at 30 June 2022. The Directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of the low loan ratio.

## PROSPECTS

Although China still faces significant economic challenges and headwinds such as the contraction in property market and some uncertainty around the evolution of the pandemic, it is anticipated that China's economy is set to rebound this year as mobility and activity pick up after the lifting of pandemic restrictions, buoyed by the official optimised epidemic response and effective pro-growth policies, propelling households' confidence for domestic demand and impetus into the economic recovery, that will underpin market sentiment for leasing activities of office and retail sectors.

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

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

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

### PROSPECTS *(Continued)*

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

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

Nevertheless, there is no assurance that the Land Swap can be completed without further significant delay or impediments, or that the execution of the relevant land contract will arise. Based on the PRC legal advice received by the Group, assets of Zhen Wah will eventually be sold by way of public auction or disposed of by other applicable means subject to endorsement of the PRC court upon receipt of proposal of the Liquidation Committee in accordance with the PRC laws, and any surplus (after settlement of all relevant liabilities including taxation) will be distributed to the joint venture partners in accordance with their equity contributions. However, the issues involved in the Compulsory Liquidation are complex and sophisticated, involving not only the PRC court but also various government authorities. There is no assurance that the Compulsory Liquidation will not be subject to significant delay, oppositions, obstructions or further dispute or litigation with respect to the matters of Zhen Wah and/or its asset.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 3 April 2023 to Thursday, 6 April 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 March 2023.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2022, 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 (note iv)
	Personal interests	Family interests	Other interests (note iii)		
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	1,582,000	-	-	1,582,000	0.67%
Mr. CHONG Kim Chan, Kenneth	1,000,000	-	-	1,000,000	0.42%
Mr. GO Patrick Lim	300,000	-	-	300,000	0.13%

### 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.
  - 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.
  - 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 2022.

Save as disclosed above, as at 31 December 2022, 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 rights to subscribe for any equity or debt securities 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 2022.

### 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 2022.



## DISCLOSURE OF INFORMATION ON DIRECTORS

By virtue of rule 13.51B(1) of the Listing Rules, the updated information on Director(s) is that Ms. TAN Vivienne Khao, executive Director, ceased to serve the board of directors of PAL Holdings, Inc., securities of which are listed on The Philippine Stock Exchange, Inc.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2022, 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 2022.

Save as disclosed above, as at 31 December 2022, 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.

## EMOLUMENT POLICY

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. At 31 December 2022, 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 scheme.

The Company has adopted share option scheme as incentive to Directors and eligible employees, details of the schemes are set out in note 15 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 2022, 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 2022 HK\$'000 (Unaudited)
Shenzhen Zhen Wah Harbour Enterprises Ltd. ("Zhen Wah") (Note)	49%	232,394

*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.

## MANAGEMENT STATEMENT *(Continued)*

### 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 2022 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	255,336	125,115
Current assets	59,371	29,092
Current liabilities	(106,438)	(52,155)
Non-current liabilities	(232,394)	(113,873)
Net liabilities	(24,125)	(11,821)

### CORPORATE GOVERNANCE

Throughout the six months ended 31 December 2022, the Company has applied the principles and has complied with the code provisions as set out in the Corporate Governance Code stipulated in Appendix 14 to the Listing Rules.

### 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 the unaudited condensed consolidated financial statement of the Group and this interim report for the six months ended 31 December 2022.

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

Hong Kong, 24 February 2023

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

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 2022 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 2023

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2022

	Notes	Six months ended 31 December	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>39,606</b>	42,989
Direct costs		<b>(12,672)</b>	(13,088)
<b>Gross profit</b>		<b>26,934</b>	29,901
Other income, gains and losses	4	<b>6,582</b>	11,926
(Decrease) increase in fair value of investment properties	10	<b>(10,812)</b>	48,041
Administrative expenses		<b>(16,807)</b>	(22,655)
Selling expenses		<b>(150)</b>	(339)
Finance costs	5	<b>(1,607)</b>	(920)
Share of loss of a joint venture		<b>(3,828)</b>	(5,565)
<b>Profit before taxation</b>	6	<b>312</b>	60,389
Income tax credit (charge)	7	<b>1,421</b>	(11,271)
<b>Profit for the period</b>		<b>1,733</b>	49,118
<b>Other comprehensive (expense) income:</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		<b>(92,204)</b>	39,663
<b>Total comprehensive (expense) income for the period</b>		<b>(90,471)</b>	88,781

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

For the six months ended 31 December 2022

	<i>Note</i>	Six months ended 31 December	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>1,476</b>	48,534
Non-controlling interests		<b>257</b>	584
		<b>1,733</b>	49,118
<b>Total comprehensive (expense) income attributable to:</b>			
Owners of the Company		<b>(88,954)</b>	87,425
Non-controlling interests		<b>(1,517)</b>	1,356
		<b>(90,471)</b>	88,781
<b>Earnings per share (Hong Kong cents)</b>			
Basic	9	<b>0.62</b>	20.42



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		At 31 December 2022 HK\$'000 (Unaudited)	At 30 June 2022 HK\$'000 (Audited)
<b>Non-current Assets</b>			
Property, plant and equipment		1,503	1,818
Right-of-use assets		2,185	3,317
Investment properties	10	1,910,697	2,005,063
Interest in a joint venture	11	84,028	91,163
Amount due from a joint venture	11	232,394	235,768
Other asset		1,343	1,403
		<b>2,232,150</b>	2,338,532
<b>Current Assets</b>			
Trade and other receivables and prepayments	12	19,786	22,926
Amount due from a non-controlling shareholder		856	894
Pledged bank deposits		17,124	36,624
Fixed bank deposits		120,830	98,374
Bank balances and cash		161,556	188,107
		<b>320,152</b>	346,925
<b>Current Liabilities</b>			
Trade and other payables	13	44,194	46,344
Lease liabilities		2,332	2,372
Tax payable		89,430	93,823
Bank loan		69,918	91,833
		<b>205,874</b>	234,372
<b>Net Current Assets</b>		<b>114,278</b>	112,553
<b>Total Assets less Current Liabilities</b>		<b>2,346,428</b>	2,451,085

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 31 December 2022

	Note	At 31 December 2022 HK\$'000 (Unaudited)	At 30 June 2022 HK\$'000 (Audited)
<b>Capital and Reserves</b>			
Share capital	14	237,704	237,704
Reserves		1,806,715	1,896,858
<b>Equity attributable to owners of the Company</b>		<b>2,044,419</b>	2,134,562
<b>Non-controlling interests</b>		<b>40,125</b>	41,642
<b>Total Equity</b>		<b>2,084,544</b>	2,176,204
<b>Non-current Liabilities</b>			
Lease liabilities		–	1,134
Deferred tax liabilities		248,925	262,633
Long-term rental deposits received		12,959	11,114
		<b>261,884</b>	274,881
		<b>2,346,428</b>	2,451,085

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2022

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note a)	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000 (Note b)	Statutory reserve HK\$'000 (Note c)	Retained profits HK\$'000	Sub-total HK\$'000			
At 1 July 2022 (audited)	237,704	438,475	55,018	1,644	229,860	92,451	10,394	1,069,016	2,134,562	41,642	2,176,204	
Profit for the period	-	-	-	-	-	-	-	1,476	1,476	257	1,733	
Exchange differences arising on translation	-	-	-	-	(90,430)	-	-	-	(90,430)	(1,774)	(92,204)	
Total comprehensive (expense) income for the period	-	-	-	-	(90,430)	-	-	1,476	(88,954)	(1,517)	(90,471)	
Transfer from other reserve	-	-	-	-	-	(279)	279	-	-	-	-	
Dividends recognised as distribution (note 8)	-	-	-	-	-	-	(1,189)	(1,189)	-	-	(1,189)	
<b>At 31 December 2022 (unaudited)</b>	<b>237,704</b>	<b>438,475</b>	<b>55,018</b>	<b>1,644</b>	<b>139,430</b>	<b>92,451</b>	<b>10,115</b>	<b>1,069,582</b>	<b>2,044,419</b>	<b>40,125</b>	<b>2,084,544</b>	
At 1 July 2021 (audited)	237,704	438,475	55,018	1,644	289,586	92,451	9,834	1,041,990	2,166,702	43,265	2,209,967	
Profit for the period	-	-	-	-	-	-	-	48,534	48,534	584	49,118	
Exchange differences arising on translation	-	-	-	-	38,891	-	-	-	38,891	772	39,663	
Total comprehensive income for the period	-	-	-	-	38,891	-	-	48,534	87,425	1,356	88,781	
Transfer from other reserve	-	-	-	-	-	(73)	73	-	-	-	-	
Dividends recognised as distribution (note 8)	-	-	-	-	-	-	(2,377)	(2,377)	-	-	(2,377)	
At 31 December 2021 (unaudited)	237,704	438,475	55,018	1,644	328,477	92,451	9,761	1,088,220	2,251,750	44,621	2,296,371	

## 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 2022

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Net cash from operating activities</b>	<b>13,708</b>	12,423
<b>Net cash (used in) generated from investing activities</b>		
Withdrawal of pledged bank deposits	165,272	58,180
Withdrawal of fixed bank deposits	7,860	18,893
Interest received	2,982	3,296
Purchase of property, plant and equipment	(13)	(61)
Addition of investment properties	(1,934)	(2,494)
Placement of fixed bank deposits	(33,804)	(604)
Placement of pledged bank deposits	(147,361)	(58,487)
	<b>(6,998)</b>	18,723
<b>Net cash used in financing activities</b>		
Repayment of bank loan	(22,000)	(2,000)
Interest paid	(1,347)	(832)
Repayment of lease liabilities	(1,232)	(1,232)
	<b>(24,579)</b>	(4,064)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(17,869)</b>	27,082
<b>Cash and cash equivalents at beginning of the period</b>	<b>188,107</b>	209,614
<b>Effect of foreign exchange rate changes</b>	<b>(8,682)</b>	2,965
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b>161,556</b>	239,661

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

## 3. REVENUE AND SEGMENT INFORMATION

Information reported to the board (the “**Board**”) of directors of (the “**Directors**”) the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of performance focused on the location of the properties for property rental.

The property rental segment includes property leasing operation in the People’s Republic of China (the “**PRC**”). The Group’s investment properties portfolio, which mainly consists of offices, residential and commercial units and carparks, are located in Shanghai and Beijing, the PRC.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31 December 2022

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

Property rental analysed based on distinct geographical locations, is the basis on which the Group reports its segment information under Hong Kong Financial Reporting Standard 8 “Operating Segments”.

The following is an analysis of the Group’s revenue and results by reportable and operating segment for the period:

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

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment result represents the profit from each segment without the allocation of central administration costs, certain other income, gains and losses (mainly including exchange (loss) gain, net, bank interest income, imputed interest income on amount due from a joint venture and others), finance costs and share of loss of a joint venture. This is the measure reported to the Board of the Company for the purposes of resources allocation and performance assessment.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31 December 2022

### 4. OTHER INCOME, GAINS AND LOSSES

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

### 5. FINANCE COSTS

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loan	<b>1,552</b>	821
Interest on lease liabilities	<b>55</b>	99
	<b>1,607</b>	920

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31 December 2022

### 6. PROFIT BEFORE TAXATION

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	250	323
Depreciation of right-of-use assets	1,132	1,155
Expenses relating to short-term leases	397	425

### 7. INCOME TAX (CREDIT) CHARGE

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

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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31 December 2022

### 8. DIVIDENDS

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

Subsequent to the end of the current interim period, the Directors of the Company have determined that an interim dividend of 0.5 Hong Kong cents per share amounting to HK\$1,189,000 in aggregate (2021: HK\$1,189,000) will be paid to the owners of the Company whose names appear in the Register of Members of the Company on 6 April 2023.

### 9. EARNINGS PER SHARE

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

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

  

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31 December 2022

### 10. INVESTMENT PROPERTIES

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

The fair value of the Group's investment properties (including residential, commercial and car park portion and office units) as at 31 December 2022 and 30 June 2022 has been arrived at on the basis of valuations carried out by independent professional valuers not connected with the Group with appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at with adoption of the direct comparison approach by making reference to comparable sales transactions as available in the market and where appropriate, adopted the investment method by capitalising the rental incomes of the properties derived from the existing tenancies with due allowance for the reversionary income potential of the properties. The revaluation gave rise to a net loss arising from decrease in fair value of HK\$10,812,000 (six months ended 31 December 2021: net gain arising from increase in fair value of HK\$48,041,000) which has been recognised in profit or loss. All the investment properties are situated in the PRC.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31 December 2022

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

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

Note:

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

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31 December 2022

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

Note: (Continued)

The distribution of profit arising from relevant income was accounted for under the equity method based on the Group's 49% equity interest in Zhen Wah. The additional share of 31% up to 31 December 2022 which has not been recognised by the Group amounted to HK\$10,368,000 (30 June 2022: HK\$10,368,000), as the Directors consider the result of the arbitration is subject to the agreement of the Chinese joint venture partner.

The operation period of Zhen Wah expired on 16 January 2014. Both joint venture partners of Zhen Wah determined not to extend its operation period and an application was lodged to liquidate Zhen Wah in prior years. The PRC court accepted the application for liquidation of Zhen Wah and appointed a law firm in the PRC as the liquidation committee of Zhen Wah in prior years.

Based on the PRC laws and regulations and the related interpretations by an external PRC legal counsel engaged by the Group, after the expiry of the operation period and even under liquidation process, the legal identity of Zhen Wah still exists and the net assets of Zhen Wah will be distributed to the joint venture partners based on their equity contributions after the completion of the liquidation. The Directors expect that the liquidation process is not expected to complete within one year. Accordingly, the Directors continue to account for Zhen Wah as a joint venture of the Group using the equity method of accounting in these condensed consolidated financial statements.

The amount due from a joint venture is unsecured and repayable after the next twelve months from the end of the reporting period. The amount is carried at amortised cost at an effective interest rate of 5.7% (30 June 2022: 5.7%) per annum.

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

Particulars of the joint venture as at 31 December 2022 and 30 June 2022 are as follows:

Name of joint venture	Place of establishment	The Group's equity interest	Principal activity
Shenzhen Zhen Wah Harbour Enterprises Ltd.	PRC	49%	Operation ceased (Note)

Note: The operation period of Zhen Wah expired on 16 January 2014. Thereafter, Zhen Wah ceased its operation and is now in the process of liquidation.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31 December 2022

### 12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Rentals receivable from tenants are payable on presentation of invoices.

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31 December 2022

### 13. TRADE AND OTHER PAYABLES

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

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

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

### 14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$1.00 each		
Authorised:		
At 1 July 2021, 30 June 2022 and		
<b>31 December 2022</b>	<b>300,000,000</b>	<b>300,000</b>
Issued and fully paid:		
At 1 July 2021, 30 June 2022 and		
<b>31 December 2022</b>	<b>237,703,681</b>	<b>237,704</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31 December 2022

### 15. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS

The Company previously adopted a share option scheme on 9 December 2011 (the “**2011 Scheme**”) and it was expired on 8 December 2021. On 17 December 2021, 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 “**2021 Scheme**”) which will expire on 16 December 2031. Both the 2011 Scheme and 2021 Scheme were adopted for the purpose of providing incentives to Directors, employees and Eligible Participants (defined herein below).

The Board might at its discretion grant options (the “**Options**”) previously under the 2011 Scheme to any Directors, employees of the Company and its subsidiaries and such eligible participants at the discretion of the Board pursuant to the terms thereof; whereas the Board may at its discretion grant options under the 2021 Scheme to any Director, proposed Director (whether executive or non-executive and whether independent or not), employee of the Group or an affiliate or the holding company of the Company (if applicable) whom the Board in its sole discretion considers will contribute or has contributed to any member of the Group or an affiliate or the holding company of the Company (if applicable) (collectively the “**Eligible Participants**”).

Under both the 2011 Scheme and 2021 Scheme, the Board might/may grant share options to the Eligible Participants at the discretion of the Board according 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; or (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 under the 2021 Scheme; and above (i), (ii) or (iii) the nominal value of a Share under the 2011 Scheme.

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 2021 Scheme, such 10% represents 23,770,368 Shares, which continue to represent 10% of the issued share capital of the Company as at the date of this interim report. The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the 2011 Scheme (if any), 2021 Scheme and any other schemes (if any) involving the issue or grant of options or similar rights over Shares or other securities by the Company, must not, in aggregate, exceed 30 per cent of the Shares in issue from time to time.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

For the six months ended 31 December 2022

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

No Option granted under the 2011 Scheme or 2021 Scheme may be granted to any Eligible Participants which if exercised in full would result in the total number of Shares issued and to be issued upon exercise of the Options already granted or to be granted to such Eligible Participant under the 2011 Scheme or 2021 Scheme (including exercised, cancelled and outstanding Options), respectively, in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of such new grant. Any grant of further Options above this limit shall be subject to the approval of the shareholders of the Company at general meeting, with such Eligible Participant and (i) its associates for the 2011 Scheme and (ii) its close associates (or his associates if the Eligible Participant is a connected person) for the 2021 Scheme abstaining from voting.

The option period for which the options granted are exercisable, shall be such period as notified by the Board, save that it shall not be more than 10 years from the date of grant. The offer of a grant of share options may be accepted within 28 days from the date of the offer. A nominal consideration of HK\$1 was payable by the grantee on acceptance of the Option offer under the 2011 Scheme, whereas no payment is required by the grantee for acceptance of the Option offer under the 2021 Scheme. At the time of granting any Option, the Board may, on a case by case basis and subject to the provisions of the Listing Rules, make such grant on such terms and conditions as the Board may determine in its absolute discretion, including the minimum period of the Options to be held and/or the performance targets to be achieved before such Options may be exercised.

As at 30 June 2022, no options under the 2011 Scheme and 2021 Scheme had been issued, granted, outstanding, exercised or lapsed.

During the six months ended 31 December 2022, no option under the 2021 Scheme had been issued, granted, outstanding, exercised or lapsed.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31 December 2022

### 16. FINANCIAL GUARANTEE CONTRACT

The Group has given guarantee in respect of the settlement of home loan provided by bank to the home buyer of a property project in Beijing, the PRC. At 31 December 2022, no guarantee in respect of such home loan was given by the Group (30 June 2022: HK\$5,000).

### 17. 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Rental income received	467	528
Other income received	225	225
Interest expenses on lease liabilities	55	99
Expenses relating to short-term leases	103	103
Repayment to lease liabilities	1,232	1,232
Management fees expenses	1,668	1,502
Consultancy service fees paid	1,100	1,100
Agency fees/administrative expenses paid	827	867

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 31 December 2022

### 17. RELATED PARTY DISCLOSURES (Continued)

Other outstanding balances with the following related companies, which are unsecured, interest-free and repayable on demand, at 31 December 2022 and 30 June 2022, are as follows:

	At 31 December 2022 HK\$'000 (Unaudited)	At 30 June 2022 HK\$'000 (Audited)
Lease liabilities	2,332	3,506
Deposits due from related companies included in other receivables	528	528
Amounts due from related companies included in other receivables	2,666	2,045
Amounts due to related companies included in other payables	2,839	4,084
Amount due from a non-controlling shareholder	856	894

The related companies are companies controlled by certain Directors.

During the current interim period, the emoluments of key management personnel were HK\$1,859,000 (six months ended 31 December 2021: HK\$1,258,000).