DYNAMIC HOLDINGS LIMITED

達力集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 029)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

INTERIM RESULTS

The Board of Directors (the "**Directors**") of Dynamic Holdings Limited (the "**Company**") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 December 2010 together with comparative figures for the corresponding period in 2009 are as follows:

Condensed Consolidated Statement of Comprehensive Income

		Unaudited Six months ended 31 December	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**37,347**	58,469
Cost of sales		**(1,807)**	(16,712)
Gross profit		**35,540**	41,757
Other income	*4*	**15,189**	11,629
Increase in fair value of investment properties		**21,642**	–
Administrative expenses		**(21,570)**	(18,939)
Finance costs	*6*	**(1,207)**	(1,251)
Share of loss of a jointly controlled entity		**(3,609)**	(3,421)
Profit before taxation		**45,985**	29,775
Taxation	*7*	**(7,179)**	(6,378)
Profit for the period		**38,806**	23,397
Other comprehensive income			
Exchange difference on translation to presentation currency		**37,565**	2,296
Total comprehensive income for the period		**76,371**	25,693

	Notes	Unaudited Six months ended 31 December **2010** ***HK$'000***	 2009 *HK$'000*
Profit for the period attributable to:			
Owners of the Company		**37,730**	23,108
Non-controlling interest		**1,076**	289
		38,806	23,397
Total comprehensive income attributable to:			
Owners of the Company		**74,531**	25,370
Non-controlling interest		**1,840**	323
		76,371	25,693
Basic earnings per share *(Hong Kong cents)*	*8*	**17.22**	10.55

Condensed Consolidated Statement of Financial Position

	Notes	**Unaudited At 31 December 2010 *HK$'000***	Audited At 30 June 2010 *HK$'000* (restated)
Non-current Assets			
Property, plant and equipment		**2,675**	2,911
Investment properties	*10*	**1,596,136**	1,535,437
Interest in a jointly controlled entity	*11*	**51,833**	55,457
Amount due from a jointly controlled entity	*11*	**229,747**	217,826
Other receivables		**–**	744
		1,880,391	1,812,375
Current Assets			
Properties held for sale		**40,726**	40,402
Loan receivables		**–**	–
Trade and other receivables	*12*	**17,889**	17,297
Amount due from a non-controlling shareholder		**899**	877
Bank deposits – pledged		**20,108**	21,239
Bank balances and cash		**128,271**	126,976
		207,893	206,791
Current Liabilities			
Trade and other payables	*13*	**55,699**	53,080
Pre-sale deposits received		**2,405**	946
Tax payable		**94,756**	81,576
Bank loans – due within one year		**258,800**	285,500
		411,660	421,102
Net Current Liabilities		**(203,767)**	(214,311)
Total Assets less Current Liabilities		**1,676,624**	1,598,064
Capital and Reserves			
Share capital		**219,104**	219,104
Reserves		**1,325,358**	1,255,209
Equity attributable to owners of the Company		**1,544,462**	1,474,313
Non-controlling interest		**30,922**	29,082
Total Equity		**1,575,384**	1,503,395
Non-current Liabilities			
Bank loans – due after one year		**–**	–
Deferred tax liabilities		**101,240**	94,669
		101,240	94,669
		1,676,624	1,598,064

Notes:

1. Basis of preparation

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

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated financial statements of the Group for the six months ended 31 December 2010 are unaudited and have been reviewed by the audit committee of the Company.

2. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost basis, except for investment properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 30 June 2010 except as described below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments or interpretations ("**HK(IFRIC) – Int**") (collectively "**HKFRSs**") issued by HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
Hong Kong Interpretation 5 ("**HK Int 5**")	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HK Int 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

HK Int 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current period. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans was determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$64,500,000 and HK$275,500,000 have been reclassified from non-current liabilities to current liabilities as at 30 June 2010 and 1 July 2009 respectively. As at 31 December 2010, bank loan that is repayable more than one year after the end of the reporting period but contains a repayment on demand clause with the aggregate carrying amount was HK$Nil. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior periods.

Certain comparative figures have been restated pursuant to the adoption of the new and revised HKFRSs retrospectively, which have no material effect on the overall results or financial position of the Group.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets[4]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of Minimum Funding Requirement[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the potential impact of these standards, amendments and interpretations and the Directors so far concluded that the application of these standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. Turnover and segment information

In the period, segment information reported to the Directors is more specifically focused on the location of the properties for both property rental and sales activities. The Group's operating and reportable segments under HKFRS 8 are therefore the property rental in Beijing, property rental in Shanghai and property sales in Beijing in the People's Republic of China ("**PRC**").

The property rental segment includes property leasing operation in the PRC. The Group's investment properties portfolio which mainly consists of offices, shopping mall and carparks are located in Beijing and Shanghai. The properties sales segment includes sale of the Group's trading properties in Beijing.

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

	Property rental				Property sales		Consolidated	
	Beijing		Shanghai		Beijing			
	Unaudited Six months ended 31 December							
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER								
External sales	**13,292**	10,774	**22,050**	25,330	**2,005**	22,365	**37,347**	58,469
SEGMENT RESULT	**24,235**	2,085	**23,721**	25,688	**2,015**	7,152	**49,971**	34,925
Unallocated other income							**7,086**	6,544
Unallocated corporate expenses							**(6,256)**	(7,022)
Finance costs							**(1,207)**	(1,251)
Share of loss of a jointly controlled entity							**(3,609)**	(3,421)
Profit before taxation							**45,985**	29,775

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred from each segment without the allocation of central administration costs, bank interest income, imputed interest income on amount due from a jointly controlled entity, finance costs and share of result of a jointly controlled entity. This is the measure reported to the Directors for the purposes of resources allocation and performance assessment.

Turnover arising from property rental of HK$35,342,000 (2009: from property sales of HK$22,365,000) included turnover of approximately HK$5,572,000 (2009: HK$10,779,000 from property sales) which was contributed by the Group's largest customer.

4. Other income

	Unaudited Six months ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Included in other income are:		
Bank interest income	**200**	572
Exchange gain, net	**6,889**	240
Gain in receivable for vendor's undertakings	**–**	1,347
Imputed interest income on other receivables	**242**	1,174
Imputed interest income on amount due from a jointly controlled entity	**6,509**	6,384

5. Depreciation and amortisation

	Unaudited Six months ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging the following items:		
Depreciation	**317**	394
Amortisation	**–**	–

6. Finance costs

	Unaudited Six months ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**1,207**	1,129
Imputed interest expense on amount due to a related company	**–**	122
	1,207	1,251

7. Taxation

	Unaudited Six months ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
The tax charge comprises:		
Income tax elsewhere in the PRC		
Current period	**3,233**	5,948
PRC land appreciation tax ("**LAT**")	**–**	890
Deferred tax liabilities		
Current period charge (credit)	**3,946**	(460)
	7,179	6,378

PRC enterprise income tax and LAT are calculated at the rates prevailing in the PRC.

Deferred tax has been provided on temporary differences using the current applicable rate.

8. Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit attributable to owners of the Company of HK$37,730,000 (2009: HK$23,108,000) for the period and on 219,103,681 (2009: 219,103,681) ordinary shares in issue throughout the period.

No diluted earnings per share is shown as there is no dilutive effect on the earnings per share for both periods.

9. Dividends

	Unaudited Six months ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Final dividend paid in respect of year ended 30 June 2010 of 2 Hong Kong cents (2009: 2 Hong Kong cents) per share	**4,382**	4,382
Interim dividend declared in respect of six months ended 31 December 2010 of 2 Hong Kong cents (2009: 2 Hong Kong cents) per share	**4,382**	4,382
	8,764	8,764

10. Investment properties

	HK$'000
FAIR VALUE	
At 30 June 2010 (audited)	1,535,437
Exchange realignment	39,057
Increase in fair value	21,642
At 31 December 2010 (unaudited)	**1,596,136**

The fair value of the Group's investment properties as at 31 December 2010 and 2009 has been arrived at on the basis of valuations carried out on that dates by Savills Valuation and Professional Services Limited, an independent firm of qualified professional valuers not connected with the Group. Savills Valuation and Professional Services Limited is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The revaluation gave rise to a net gain arising from increase in fair value of HK$21,642,000 (2009: HK$Nil) which has been credited to profit or loss. All the investment properties are situated in the PRC under medium-term lease.

11. Interest in and amount due from a jointly controlled entity

	Unaudited At 31 December 2010 *HK$'000*	Audited At 30 June 2010 *HK$'000*
Cost of investment, unlisted	**69,969**	69,984
Share of post-acquisition loss and reserves	**(18,136)**	(14,527)
	51,833	55,457
Amount due from a jointly controlled entity	**237,117**	225,196
Less: Allowance for interest receivable	**(7,370)**	(7,370)
	229,747	217,826

The amount due from a jointly controlled entity is unsecured and repayable after the next twelve months from the end of reporting period. The amount is carried at amortised cost at an effective interest rate of 6% (2009: 6%) per annum. For the six months ended 31 December 2010, the amount was partially impaired in respect of the interest receivable of HK$7,370,000 (2009: HK$7,370,000).

A summarised financial information in respect of the Group's jointly controlled entity which is accounted for using the equity method is set out below:

	Unaudited At 31 December 2010 *HK$'000*	Audited At 30 June 2010 *HK$'000*
Non-current assets *(note)*	**250,080**	246,417
Current assets	**42,273**	40,024
Current liabilities	**(11,352)**	(11,493)
Non-current liabilities	**(229,747)**	(217,826)
	51,254	57,122

	Unaudited Six months ended 31 December	
	2010 *HK$'000*	2009 *HK$'000*
Income recognised in profit or loss	**3,786**	3,772
Expenses recognised in profit or loss	**10,870**	10,423
Other comprehensive income	**1,327**	118

Note: The assets include properties held for development which represent prepaid lease payments of land use rights and direct reclamation costs for a piece of land situated at Tung Kok Tau in Shenzhen, the PRC with the land use right. The jointly controlled entity has paid all land premium and is in the process of negotiating with relevant government authorities for redevelopment due to the re-zoning and re-planning of the city on which the properties are located.

12. Trade and other receivables

At 31 December 2010, the balance of other receivables included receivables from home buyers who defaulted on repayment to banks, representing the loans taken over by the Group, of HK$946,000 (30 June 2010: HK$2,997,000) with collateral of properties and are measured at amortised cost at an effective interest rate of 5.85% (30 June 2010: 5.85%). For property sales, other than home loans, the Group allows an average credit period of 30 days (30 June 2010: 30 days) to its customers. Rental receivable from tenants and service income receivables from customers are payable on presentation of invoices. The following is an aged analysis of trade receivables, net of allowance for doubtful debt presented based on invoice date at the end of the reporting period:

	Unaudited At 31 December 2010 *HK$'000*	Audited At 30 June 2010 *HK$'000*
0 – 60 days	**13,202**	11,132
61 – 90 days	**4**	78
Over 90 days	**141**	21
	13,347	11,231

Before accepting any new customer, the Group carries out assessment on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. 99% (30 June 2010: 98%) of the trade receivables are neither past due nor impaired and have good settlement repayment history.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$2,820,000 (30 June 2010: HK$172,000) which are past due at the reporting date for which the Group has not provided for impairment loss. There has not been a significant change in credit quality and the management considers that the amounts are still recoverable. The Group does not hold any collateral over these balances. The average overdue age of these receivables is 58 days (30 June 2010: 82 days) overdue.

13. Trade and other payables

At 31 December 2010, the balance of trade and other payables included trade payables of HK$3,150,000 (30 June 2010: HK$2,443,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	Unaudited At 31 December 2010 *HK$'000*	Audited At 30 June 2010 *HK$'000*
0 – 60 days	**957**	304
Over 60 days	**2,193**	2,139
	3,150	2,443

The other payables mainly include rental deposits of HK$21,469,000 (30 June 2010: HK$19,298,000) and receipt in advance of HK$5,621,000 (30 June 2010: HK$3,419,000).

RESULTS REVIEW

For the six months ended 31 December 2010, the Group recorded a turnover of HK$37,347,000 (2009: HK$58,469,000), and a gross profit of HK$35,540,000 (2009: HK$41,757,000). As compared with the last corresponding period, the gross profit of the Group dropped by about 15% whereas the gross profit margin rose to 95% from 71%. These results were primarily attributable to rental income of investment properties of the Group and insignificant proceeds from property sales being recognised in the period as explained below.

In addition, the Group accounted for other income in the sum of HK$15,189,000 (2009: HK$11,629,000) including, among others, the imputed interest income and exchange gain in the period.

In light of positive property sentiment in the mainland China, there was an aggregate increase of HK$21,642,000 (2009: HK$Nil) in the fair value of the investment properties of the Group for the period.

All in all, the profit of the Company for the period attributable to its owners soared by 63% totalling HK$37,730,000 (2009: HK$23,108,000) as compared with the last corresponding period with earnings per share of HK$0.1722 (2009: HK$0.1055).

Taking into account of other comprehensive income of exchange gain on translation to presentation currency, the total comprehensive income attributable to owners of the Company amounted to HK$74,531,000 (2009: HK$25,370,000) for the period.

BUSINESS REVIEW

During the period under review, the Group's turnover and results were principally derived from its operating segment in terms of property rental in the mainland China. The Group accounted for insignificant proceeds from property sales in its operating segment of property sales in the period, since property sales had substantially dropped as a result of delayed sales completion due to limited number of unsold units of the Group, the tightening regulatory measures imposed on residential property and restrictive credit policy on home purchase.

During the period under review, the rental income of the Group generated from its investment properties in Shanghai and Beijing amounted to HK$35,342,000 (2009: HK$36,104,000), which contributed nearly all the revenue income of the Group in the period. In respect of asset values, these investment properties of the Group which include, among others, shopping mall and office units appreciated in the sum of HK$21,642,000 (2009: HK$Nil) under buoyant momentum of the economy in China in the period. The segment results of property rental surged a profit of HK$47,956,000 (2009: HK$27,773,000), showing a rise of 73% as compared with the last corresponding period.

In Beijing, strong growth of retail sales continued to support retailer expansion. Rents increased slightly, while take-up rate continued to improve across the market. The well-established "Uptown Mall" of the Group reached a level of full occupancy, with improved rental and capital value achieving the segment profit of HK$24,235,000 (2009: HK$2,085,000) in the period.

In relation to property sales, transaction volume had fallen significantly after the Chinese Government demand-suppression policy and credit control measures. As a result, the proceeds of property sales markedly decreased to an amount of HK$2,005,000 (2009: HK$22,365,000) in the period. Consequently, the segment results of property sales showed a profit of HK$2,015,000 (2009: HK$7,152,000) in the period.

After the World Expo in Shanghai, a supply glut in office market remained with competitive rental and thereby rental rates dropped slightly in the period. Nevertheless, the Group sustained a high occupancy rate of its quality offices known as "Eton Place" situated in Pudong, with reduced rental and slight appreciation in value, bringing the segment results to an aggregate profit of HK$23,721,000 (2009: HK$25,688,000) in the period.

In respect of the jointly controlled entity known as Shenzhen Zhen Wah Harbour Enterprises Ltd. ("**Zhen Wah**", which entitles to land use right of a piece of land located in Tung Kok Tau in Shenzhen), the Group accompanied with the Chinese partner of Zhen Wah negotiated with the municipal government in respect of the redevelopment plan of Tung Kok Tau and took expedient action so as to safeguard its best interests in Zhen Wah and to bolster best value of the assets held by Zhen Wah in the period.

PROSPECTS

Looking ahead, the Group will strive for steady source of rental income given the improved market sentiments and continuous growth of China economy, though stringent measures are expected to be further imposed by the Chinese Government to curb demand and price for housing.

In Beijing, the surge of new shopping malls coupled with additional mall projects are to be expected in this year which will bring about ample supply of retail spaces to the market. Nevertheless, demand for rental space is forecasted to remain solid as a result of thriving economic growth and strengthening consumer confidence in Beijing. The Group will actively restructure and optimise tenant mix with effective mall management to coup with the keen market competition. On the other side, it is anticipated that the demand for residential property will likely to be cooling down further, resulting from the expected further tightening of housing policies.

In Shanghai, the influx of new supply is expected to reach a peak in Pudong in this year. Hence, a flexible rental policy on office market will be adopted for attracting new tenants to upgrade and relocate. However, driven by the positive long-term effect of post-World Expo on the office market, associated with the resurgence of both the global and domestic economies should lead to more companies re-initiating their expansion plans in Shanghai. The Group will procure for tenant retention upon lease renewals and to strive for new tenants at competitive rental strategies for sustaining high occupancy rate with steady recurring revenue to the Group in Shanghai.

Finally, the Group will endeavor to safeguard its best interests in Zhen Wah and continue to negotiate with the relevant government authorities to optimise redevelopment plan and maximise asset values of Tung Kok Tau in Shenzhen in alignment with the official rezoning and city planning of Shenzhen and development of infrastructure in the region.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 2 Hong Kong cents (2009: 2 Hong Kong cents) per share for the six months ended 31 December 2010 to all shareholders whose names appear on the register of members of the Company on 15 April 2011. The dividend warrants are expected to be despatched to those entitled on or about 4 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 11 April 2011 to Friday, 15 April 2011, both days inclusive, during which period no transfer of share(s) will be effected. In order to qualify for the interim dividend, all form(s) of share transfer accompanied by the relevant share certificate(s) must be lodged with the Company's Branch Share Registrars in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 8 April 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company has applied the principles and has complied with the code provisions in the Code on Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 to the Listing Rules on the Stock Exchange of Hong Kong Limited throughout the six months ended 31 December 2010, save for the deviation from CG Code B.1.1 which stipulates that a majority of the members of the remuneration committee should be independent non-executive Directors.

During the period from 2 June 2010 to 31 August 2010, the members of the remuneration committee of the Company was not composed of a majority of independent non-executive Directors. Additionally, during the same period, the number of independent non-executive Directors and the members of audit committee of the Company fell below the minimum of three as required under rules 3.10(1) and 3.21 of the Listing Rules, respectively.

With effect from 1 September 2010, the Company has appointed Mr. FOK Kam Chu, John as an independent non-executive Director, a member of the audit committee and a member of the remuneration committee of the Company and hence the Company has been in compliance with the CG Code and the Listing Rules, respectively.

By Order of the Board
Dynamic Holdings Limited
CHAN Wing Kit, Frank
Chief Executive Officer

Hong Kong, 25 February 2011

As at the date of this announcement, the Directors comprise Mr. CHUA Domingo, Dr. CHAN Wing Kit, Frank, Mr. TAN Harry Chua, Mr. TAN Lucio Jr. Khao, Mr. CHEUNG Chi Ming, Mr. PASCUAL Ramon Sy, Mr. CHIU Siu Hung, Allan and Mr. WONG Sai Tat as executive Directors; and Mr. CHONG Kim Chan, Kenneth, Mr. SY Robin and Mr. FOK Kam Chu, John as independent non-executive Directors.