DYNAMIC HOLDINGS LIMITED
達力集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 29)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2018

RESULTS

The board of directors (the "**Directors**") of Dynamic Holdings Limited (the "**Company**") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 30 June 2018 together with comparative figures for the previous year are as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Year ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**113,030**	101,762
Direct costs		**(24,316)**	(22,062)
Gross profit		**88,714**	79,700
Other gains or losses	*4*	**24,482**	16,038
Increase in fair value of investment properties		**88,171**	92,896
Administrative expenses		**(40,461)**	(26,959)
Selling expenses		**(1,019)**	(789)
Finance costs		**(3,345)**	(4,016)
Share of loss of a joint venture		**(9,949)**	(10,197)
Profit before taxation		**146,593**	146,673
Taxation	*5*	**(18,163)**	(29,995)
Profit for the year		**128,430**	116,678
Other comprehensive income (expense) for the year			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		**58,204**	(28,723)
Total comprehensive income for the year		**186,634**	87,955

	Note	Year ended 30 June 2018 HK$'000	2017 HK$'000
Profit for the year attributable to:			
Owners of the Company		**126,125**	115,591
Non-controlling interests		**2,305**	1,087
		128,430	116,678
Total comprehensive income attributable to:			
Owners of the Company		**183,179**	87,378
Non-controlling interests		**3,455**	577
		186,634	87,955
Earnings per share ***(Hong Kong cents)***	*7*		
Basic		**56.0**	51.4
Diluted		**53.0**	48.8

Consolidated Statement of Financial Position

	Notes	At 30 June 2018 HK$'000	2017 HK$'000
Non-current Assets			
Property, plant and equipment		**1,859**	2,214
Investment properties	*8*	**2,136,283**	1,990,736
Interest in a joint venture	*9*	**80,205**	86,974
Amount due from a joint venture	*9*	**238,283**	218,549
Other asset		**1,423**	1,382
		2,458,053	2,299,855
Current Assets			
Properties held for sale		**16,192**	15,675
Loan receivables		**–**	–
Trade and other receivables	*10*	**37,796**	35,438
Amount due from a non-controlling shareholder		**907**	881
Pledged bank deposits		**30,521**	4,610
Fixed bank deposits		**163,799**	130,035
Bank balances and cash		**94,071**	128,243
		343,286	314,882
Current Liabilities			
Trade and other payables	*11*	**47,008**	42,236
Tax payable		**94,718**	93,744
Bank loans – due within one year		**7,761**	7,770
		149,487	143,750
Net Current Assets		**193,799**	171,132
Total Assets less Current Liabilities		**2,651,852**	2,470,987

	At 30 June	
	2018	2017
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**225,174**	225,066
Reserves	**1,923,824**	1,753,012
Equity attributable to owners of the Company	**2,148,998**	1,978,078
Non-controlling interests	**38,186**	34,731
Total Equity	**2,187,184**	2,012,809
Non-current Liabilities		
Bank loans – due after one year	**127,759**	135,520
Deferred tax liabilities	**322,594**	302,625
Long-term rental deposits received	**14,315**	20,033
	464,668	458,178
	2,651,852	2,470,987

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods or service.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

Amendments to HKAS 7 "*Disclosure Initiative*"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed, (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure of the reconciliation between the opening and closing balances of the mentioned items, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to HKFRSs and Interpretations mention above, the Directors anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 *"Financial Instruments"*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "*Financial Instruments: Recognition and Measurement*". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 30 June 2018, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group as at 1 July 2018, there will be no material financial impacts on the Group's financial assets.

HKFRS 15 *"Revenue from Contracts with Customers"*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *"Revenue"*, HKAS 11 *"Construction Contracts"* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, that is when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 *"Leases"*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "*Leases*" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and interest portion which will be both presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of HK$6,981,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers the short-term refundable rental deposits received of HK$15,170,000 and long-term rental deposits received of HK$14,315,000 as obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosures as indicated above.

3. REVENUE AND SEGMENT INFORMATION

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

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

These divisions, property rental and property sales analysed based on distinct geographical locations, are the basis on which the Group reports its segment information under HKFRS 8 "*Operating Segments*".

(a) Segment revenues and results

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

	Property rental				**Property sales**		**Consolidated**	
	Beijing		**Shanghai**		**Beijing**			
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT REVENUE								
REVENUE								
External sales	**36,881**	33,541	**76,149**	68,221	**–**	–	**113,030**	101,762
SEGMENT RESULT	**48,846**	23,900	**129,160**	147,208	**(243)**	(173)	**177,763**	170,935
Unallocated other income							**21,721**	15,018
Unallocated corporate expenses							**(39,597)**	(25,067)
Finance costs							**(3,345)**	(4,016)
Share of loss of a joint venture							**(9,949)**	(10,197)
Profit before taxation							**146,593**	146,673

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

(b) Segment assets and liabilities

	Property rental				Property sales		Consolidated	
	Beijing		Shanghai		Beijing			
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**692,250**	648,485	**1,449,685**	1,348,726	**20,429**	21,434	**2,162,364**	2,018,645
Interest in a joint venture							**80,205**	86,974
Amount due from a joint venture							**238,283**	218,549
Unallocated corporate assets							**320,487**	290,569
Consolidated total assets							**2,801,339**	2,614,737
LIABILITIES								
Segment liabilities	**6,993**	6,294	**31,903**	34,417	**12,638**	12,073	**51,534**	52,784
Unallocated corporate liabilities							**562,621**	549,144
Consolidated total liabilities							**614,155**	601,928

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to operating segments other than interest in a joint venture, amount due from a joint venture, bank deposits, bank balances and cash and other corporate assets; and

– all liabilities are allocated to operating segments other than amount due to a related company included in trade and other payables, tax payable, bank loans, deferred tax liabilities and other corporate liabilities.

(c) Other segment information

	Property rental				Property sales		Segment Total		Unallocated		Consolidated	
	Beijing		Shanghai		Beijing							
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment result or segment assets and liabilities												
Capital expenditures	**–**	–	**–**	–	**–**	30	**–**	30	**85**	792	**85**	822
Depreciation	**–**	–	**–**	–	**106**	109	**106**	109	**242**	180	**348**	289
Impairment loss recognised (reversed) in respect of receivables, net	**–**	39	**(236)**	–	**–**	–	**(236)**	39	**–**	–	**(236)**	39
Increase in fair value of investment properties	**25,621**	2,850	**62,550**	90,046	**–**	–	**88,171**	92,896	**–**	–	**88,171**	92,896

(d) Geographical information

All of the Group's revenue from external customers are located in the PRC (other than Hong Kong).

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2018	2017
	HK$'000	*HK$'000*
PRC	**2,218,347**	2,079,924
Hong Kong	**1,423**	1,382
	2,219,770	2,081,306

The Group's non-current assets above exclude financial instruments.

(e) The Group does not have major customers as no single customer contributes more than 10% of the Group's revenue.

4. OTHER GAINS OR LOSSES

	2018	2017
	HK$'000	*HK$'000*
Included in other gains or losses are:		
Bank interest income	**3,649**	3,262
Exchange gain (loss), net	**4,006**	(2,422)
Imputed interest income on other receivables	**–**	1
Imputed interest income on amount due from a joint venture	**13,690**	13,716

5. TAXATION

	2018	2017
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax in the PRC (other than Hong Kong)		
Current year	**7,404**	7,049
Overprovision in prior years	**(457)**	(186)
	6,947	6,863
Deferred taxation	**11,216**	23,132
	18,163	29,995

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC entity is 25%.

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.

The EIT Law also requires withholding tax upon distribution of profits earned by the PRC entities since 1 January 2008 at 5%. At the end of the reporting period, deferred taxation of HK$2,654,000 (2017: HK$2,493,000) has been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits.

6. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Final dividend paid in respect of year ended 30 June 2017 of 3 Hong Kong cents (2016: 3 Hong Kong cents) per share	**6,752**	6,750
Interim dividend paid in respect of year ended 30 June 2018 of 2.5 Hong Kong cents (2017: 2.5 Hong Kong cents) per share	**5,629**	5,627
	12,381	12,377

The final dividend in respect of 4 Hong Kong cents per share totaling HK$9,007,000 for the year ended 30 June 2018 has been proposed by the Board of Directors and is subject to approval by the shareholders in the annual general meeting.

7. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**126,125**	115,591

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**225,092,393**	224,933,065
Effect of dilutive potential ordinary shares on share options	**12,978,589**	11,882,019
Number of ordinary shares for the purpose of diluted earnings per share	**238,070,982**	236,815,084

8. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2016	1,926,240
Exchange realignment	(28,400)
Increase in fair value recognised in profit or loss	92,896
At 30 June 2017	1,990,736
Exchange realignment	57,376
Increase in fair value recognised in profit or loss	88,171
At 30 June 2018	**2,136,283**

The fair value of the Group's investment properties (including commercial and car parking portion and office unit) as at 30 June 2018 and 2017 has been arrived at on the basis of valuations carried out by Savills Valuation and Professional Services Limited, an independent firm of qualified professional valuers not connected with the Group with appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at with adoption of the direct comparison approach by making reference to comparable sales transactions as available in the market and where appropriate, adopted the investment method by capitalising the rental incomes of the properties derived from the existing tenancies with due allowance for the reversionary income potential of the properties. The revaluation gave rise to a net gain arising from increase in fair value of HK$88,171,000 (2017: HK$92,896,000) which has been recognised in profit or loss. All the investment properties are situated in the PRC.

The investment properties of the Group held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model for both years.

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

	2018	2017
	HK$'000	*HK$'000*
Cost of investment, unlisted	**164,826**	162,265
Share of post-acquisition losses and reserves	**(84,621)**	(75,291)
	80,205	86,974
Amount due from a joint venture	**238,283**	218,549

Note:

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

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

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

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

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

The distribution of profit arising from relevant income was accounted for under the equity method based on the Group's 49% equity interest in Zhen Wah. The additional share of 31% up to 30 June 2018 which has not been recognised by the Group amounted to HK$10,368,000 (2017: 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 year. The PRC court accepted the application for liquidation of Zhen Wah and appointed a law firm in the PRC as the liquidation committee of Zhen Wah in July 2016.

Based on the PRC laws and regulations and the related interpretations by an external PRC legal counsel engaged by the Group, after the expiry of the operation period and even during the 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 will not be completed 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 consolidated financial statements.

The amount due from a joint venture is unsecured and to be repayable after the next twelve months from the end of the reporting period. The amount is carried at amortised cost at an effective interest rate of 6% (2017: 6%) per annum.

The Directors have assessed the recoverability of interest in a joint venture and amount due from a joint venture amounting to HK$80,205,000 and HK$238,283,000, respectively as at 30 June 2018. Based on the latest financial information and fair value of net assets of Zhen Wah, the Directors have concluded that the amounts will be fully recoverable.

10. TRADE AND OTHER RECEIVABLES

At 30 June 2018, the balance of other receivables include receivables from home buyers who defaulted on repayment to banks, representing the loans taken over by the Group, of HK$31,000 (2017: HK$31,000) which are measured at amortised cost at an effective interest rate of 6.15% (2017: 6.15%) per annum. Considerations in respect of properties sold are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Rental receivables from tenants and services income receivables from customers are payable on presentation of invoices.

The following is an aged analysis of trade receivables of HK$8,619,000 (2017: HK$9,459,000) net of allowance for doubtful debts of HK$3,299,000 (2017: HK$3,430,000) presented based on invoice date at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
0–60 days	**3,769**	4,335
61–90 days	**443**	116
More than 90 days	**1,108**	1,578
	5,320	6,029

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. 61% (2017: 59%) of the trade receivables are neither past due nor impaired and have good settlement repayment history.

Included in the Group's trade receivable balances are debtors with a carrying amount of HK$2,077,000 (2017: HK$2,481,000) 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 92 days (2017: 92 days) overdue.

Aging of past due but not impaired trade receivables

	2018	2017
	HK$'000	*HK$'000*
Overdue:		
0–30 days	**326**	622
31–60 days	**200**	165
61–90 days	**443**	116
More than 90 days	**1,108**	1,578
	2,077	2,481

11. TRADE AND OTHER PAYABLES

At 30 June 2018, the balance of trade and other payables included trade payables of HK$767,000 (2017: HK$2,526,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
0–60 days	**333**	2,057
Over 60 days	**434**	469
	767	2,526

The other payables mainly include rental deposits of HK$15,170,000 (2017: HK$9,595,000) and receipt in advance of HK$5,390,000 (2017: HK$5,645,000).

RESULTS REVIEW

For the financial year ended 30 June 2018, the Group recorded a total revenue of HK$113,030,000 (2017: HK$101,762,000) and gross profit of HK$88,714,000 (2017: HK$79,700,000), both showing increase of 11% compared with those of the previous year. These results were attributable to the stable rental income of investment properties of the Group denominated in renminbi yuan ("**RMB**"), with steady gross profit margin at 78% (2017: 78%).

During the year under review, the Group accounted for other gains of HK$24,482,000 (2017: HK$16,038,000), mainly derived from bank and imputed interest income in the sum of HK$17,339,000 (2017: HK$16,979,000) and the net exchange gain of HK$4,006,000 (2017: an exchange loss of HK$2,422,000) due to the RMB appreciation against Hong Kong dollar ("**HKD**") in the year. In addition, the Group recognized an aggregate increase in the fair value of the investment properties in the amount of HK$88,171,000 (2017: HK$92,896,000). And the administrative expenses for the year amounted to HK$40,461,000 (2017: HK$26,959,000).

After taking into account of the tax effect, the profit for the year attributable to shareholders of the Company was HK$126,125,000 (2017: HK$115,591,000), which increased by 9% from that of the previous year, with basic earnings per share of HK$0.560 (2017: HK$0.514).

Meanwhile, the other comprehensive income was HK$58,204,000 (2017: other comprehensive expense of HK$28,723,000) due to RMB appreciated about 3% (2017: devalued 2%) against HKD resulting in exchange difference on currency translation to presentation currency in HKD from functional currency in RMB in the year, and the total comprehensive income attributable to shareholders of the Company amounted to HK$183,179,000 (2017: HK$87,378,000).

BUSINESS REVIEW

In the year under review, the operating segments of the Group consisted of property rental and property sales in the mainland China. The rental segment of investment properties in Beijing and Shanghai, which was the major segment assets of the Group with modest rental performance all denominated in RMB, remained as the key and solid contributor of revenue and results of the Group.

The core rental business of investment properties of the Group, which were quality offices in Pudong in Shanghai and well-established mall together with carparks in Chaoyang District in Beijing with asset value in an aggregate of RMB1,801,100,000 (2017: RMB1,727,800,000), performed steadily in the year with total revenue of property rental of RMB93,967,000 (2017: RMB89,279,000), showing a mild increase of 5% as compared with that of the last year. Such rental income presented in the financial statements in the sum of HK$113,030,000 (2017: HK$101,762,000) and contributed to all (2017: all) of the total turnover of the Group.

And the fair value of these investment properties of the Group comprising shopping mall and carparks in Beijing and office units in Shanghai appreciated in the sum of RMB73,300,000 (2017: RMB81,500,000), translating into HK$88,171,000 (2017: HK$92,896,000) in the year. As such, the segment results of property rental reported a profit of RMB147,984,000 (2017: RMB150,118,000), presenting in HK$178,006,000 (2017: HK$171,108,000) which shows a mild increase of 4% as compared with that of the last year.

In Beijing, the well-established community mall of the Group known as "Uptown Mall" with focus on mass-market and mid-range retailers sustained high occupancy in the year, notwithstanding in the face of subsisting strong competition from on-line retailers and slowing growth of retail sales. The rental income generated from the well-established community mall (including car parks) of the Group in Chaoyang District improved with average occupancy rate of 95% (2017: 95%) throughout the year. In addition, the rental income of this segment in the year totalled RMB30,661,000 (2017: RMB29,426,000) translating into HK$36,881,000 (2017: HK$33,541,000) which showed an increase of 10% from the last year and accounted for 33% (2017: 33%) of the total revenue of the Group. The fair value of these investment properties appreciated in the sum of RMB21,300,000 (2017: RMB2,500,000), translating into HK$25,621,000 (2017: HK$2,850,000). Thereby, a profit of HK$48,846,000 (2017: HK$23,900,000) was recorded in this segment results in the year, denoting a substantial rise of 104% as compared with that of the last year. Due to limited residential units held for sale by the Group in Beijing, there was nil (2017: nil) proceeds of property sales of residential units held by the Group at "Chaoyang Garden" incurring an administrative loss of HK$243,000 (2017: HK$173,000) in this segment results of property sales in the year.

In Shanghai, overall leasing of office market in core business district in Pudong was in keen competition due to the huge influx of new supply. However, demand from local financial and professional companies absorbed vacant area in the year. The quality offices of the Group known as "Eton Place" which is in the prominent financial location of Little Lujiazui in Pudong attained an average occupancy rate of 96% (2017: 99%) with moderate increase in rental rate during the year. And the rental income was in the sum of RMB63,306,000 (2017: RMB59,853,000), showing a mild increase of 6% from that of the last year, translating into

HK$76,149,000 (2017: HK$68,221,000) which accounted for 67% (2017: 67%) of the total revenue of the Group in the year. The fair value of these investment properties appreciated in the sum of RMB52,000,000 (2017: RMB79,000,000), translating into HK$62,550,000 (2017: HK$90,046,000). Thereby, this segment results recorded a profit of HK$129,160,000 (2017: HK$147,208,000) in the year, denoting a drop of 12% as compared with that of the last year.

During the year under review, Shenzhen Zhen Wah Harbour Enterprises Ltd. ("**Zhen Wah**", a joint venture in which the Company holds 49%), which holds a piece of land located in Tung Kok Tau, Nanshan District, Shenzhen ("**Land**"), continued its proceedings of compulsory liquidation which commenced in July 2016 under supervision of the PRC court and management of a liquidation committee ("**Liquidation Committee**") as appointed by the PRC court.

In the year, the Group continued to closely monitor the liquidation proceedings of Zhen Wah with the assistance of its legal advisers. The claims lodged with the Liquidation Committee by the Group for creditor's debts of advances together with the relevant interest in the sum of RMB351,181,000 against Zhen Wah were reviewed and confirmed by the Liquidation Committee subject to endorsement of the PRC court. In addition, the Group kept on working actively with the Liquidation Committee, relevant official authorities and Chinese joint venture partner regarding the liquidation and the proposal for re-zoning, compensation for demolition, relocation and increase of gross developable area of the Land ("**Proposal**"). The Proposal has been mostly assessed officially subject to approval in accordance with the relevant laws and regulations in the PRC.

As announced on 24 August 2018, the PRC court accepted the application lodged by the Liquidation Committee to further extend the period of compulsory liquidation of Zhen Wah for six months up to January 2019.

Meanwhile, based on the PRC legal advice and to further strive for the best interests of the Group, the Group lodged an application for international arbitration ("**Arbitration**") with South China International Economic and Trade Arbitration Commission ("**Arbitration Commission**") in June 2017 to determine the precise entitlement of the Group regarding rent, income and profit generated from the Land, pursuant to a shareholders' agreement entered into between the Group and the Chinese joint venture partner on 20 December 1996 in relation to Zhen Wah. The arbitral application was accepted by the Arbitration Commission in August 2017. In accordance with the arbitral proceedings, the Arbitration has been suspended for conciliation up to the end of July 2018 with the consent of the Group and the Chinese joint venture partner. As both the Group and the Chinese joint venture partner failed to compromise, the Arbitration has been resumed. Irrespective of the result of the Arbitration, Zhen Wah will be wound up in the liquidation process in due course. Further announcement on the progress and/or result of the Arbitration will be made as and when appropriate.

In the year, the Group shared a loss of Zhen Wah in the sum of HK$9,949,000 (2017: HK$10,197,000) and incurred professional fees in the amount of HK$11,727,000 for its liquidation and the Arbitration.

FINANCIAL REVIEW

Capital Structure

The financial position of the Group remains sound and liquid. During the year under review, the financing and treasury policies of the Group were managed and controlled at the corporate level and prudent manner, to utilize the group funding and to manage the financial risks effectively. At 30 June 2018, the equity attributable to owners of the Company amounted to HK$2,148,998,000 (2017: HK$1,978,078,000) with net asset value per share of HK$9.54 (2017: HK$8.79). Total unsecured and secured bank borrowings of the Group amounted to HK$135,520,000 (2017: HK$143,290,000), which were in Hong Kong dollars and repayable within three years on floating rate basis. As at 30 June 2018, the gearing ratio of the Group was 6% (2017: 7%) based on the total debt of the Group to its equity attributable to owners of the Company. The exposure to foreign currency fluctuations of RMB against HKD affected the Group in the year resulting in net exchange gain of HK$4,006,000 (2017: net exchange loss of HK$2,422,000) and no financial instruments were used for hedging purpose in the year. Meanwhile, the fluctuation of RMB may affect the financial performance and position of the Group, which the Group will continue to assess and minimize the adverse impact.

Financial Resources and Liquidity

In the year under review, there was sufficient cashflow as generated by rental revenue of investment properties in Shanghai and Beijing. As at 30 June 2018, the Group's fixed bank deposits and bank balance and cash stood at HK$257,870,000 (2017: HK$258,278,000), denominated primarily in RMB. With sufficient cashflow, the Group maintained an un-utilised credit facilities of HK$16,000,000 (2017: HK$16,000,000) as working capital at floating interest rate as at 30 June 2018. The Group's net current assets amounted to HK$193,799,000 (2017: HK$171,132,000) with current ratio of 2.30 (2017: 2.19) as at 30 June 2018.

Pledge of Assets and Contingent Liabilities

As at 30 June 2018, the Group pledged its properties with a total carrying value of HK$950,065,000 (2017: HK$882,569,000), 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 institution as security against general banking facilities granted to the Group, and also pledged certain of its bank deposits in the sum of HK$30,521,000 (2017: HK$4,610,000) 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 had given guarantees in respect of settlement of home loans provided by banks to the home buyers of a property project in Beijing. As at 30 June 2018, the Group had given guarantees in respect of such home loans of HK$1,859,000 (2017: HK$2,959,000). The Directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of the low loan ratio.

PROSPECTS

Against the backdrop of an unfavorable trade war between China and the United States together with uncertainties in economic outlook, such condition has deteriorated and will deteriorate market expectation, confidence and appetite for risk. Nevertheless, China is stepping up effort to bolster market expectation and minimize the impact of possible economic slowdown in China by adopting supportive measures which include monetary and fiscal stimulus plans to support growth and stabilize its economy. It is expected that such measures will focus on development of high-end service industry and domestic consumption which will have a positive effect to bolster leasing demand of office and retail space.

In Beijing, strong growth of online retail sales and reducing retail sales will continue to put pressure on demand and rental of retail spaces. Nevertheless, it is expected that the resilient middle-class consumption with consumer confidence will sustain mid-range and mass-market retailers, which are integrating online and offline retail channels. In order to maintain high occupancy rate and constant revenue to the Group, the Group will endeavor to proactively enhance leasing and seasonal marketing strategies, emphasizing an experience-focused brand mix and outlet stores to fit customers' lifestyle so as to attract the attention of more consumers and stimulate consumption.

In Shanghai, it is expected that competition comes not only from other office landlords but increasingly from intermediary service providers such as co-working spaces, and take-up of office market will face keen competition in Pudong. Nevertheles, the lease demand in Pudong, as financial hub, will be driven by demand from local insurance, financial and professional enterprises. But the rental growth will face downward pressure amid considerable volumes of new completions and unabsorbed vacancies. To maintain high occupancy rate and steady recurring revenue, the Group will continue to adopt competitive rental strategies.

The Group will continue to act proactively for safeguarding the best interests of the Group in Zhen Wah. It will continue to adopt the best available measures and take expedient action with a view to protecting the Group's interests in the context of the compulsory liquidation of Zhen Wah. However, the issues involved in liquidation of Zhen Wah are complex and sophisticated, involving not only the PRC court but also various governmental authorities. There is no assurance that the liquidation may not be subject to significant delay, oppositions, obstructions and further dispute or litigation with respect to the matters of Zhen Wah and/or its assets.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of 4 Hong Kong cents (2017: 3 Hong Kong cents) per share to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 21 December 2018. Together with the interim dividend of 2.5 Hong Kong cents per share which were paid to the shareholders of the Company during the year, the total dividend for the year amounts to a total of 6.5 Hong Kong cents per share. Subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 6 December 2018 (the "**AGM**"), the warrants for the final dividend are expected to be despatched to those entitled on or about Wednesday, 9 January 2019.

CLOSURE OF REGISTER OF MEMBERS FOR THE AGM AND FINAL DIVIDEND

For the purpose of ascertaining the rights of shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 3 December 2018 to Thursday, 6 December 2018 (both days inclusive). In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 30 November 2018.

For the purpose of determining the entitlement of shareholders to the proposed final dividend of the Company for the year ended 30 June 2018, the register of members of the Company will be closed from Tuesday, 18 December 2018 to Friday, 21 December 2018 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 17 December 2018.

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

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

CORPORATE GOVERNANCE

Throughout the year ended 30 June 2018, 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.

AUDIT COMMITTEE

The Audit Committee reviewed the applicable accounting principles and practices adopted by the Company and discussed the auditing, risk management and internal control systems and financial reporting matters including a review of the audited annual results of the Company for the year ended 30 June 2018 with the auditor and management. The consolidated financial statements of the Group have been audited by the auditor of the Company, Messrs. Deloitte Touche Tohmatsu, and it has issued an unqualified opinion.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

APPRECIATION

The Board would like to thank the shareholders, bankers, customers, suppliers of the Group and others who have extended their invaluable support to the Group and all staff of the Group for their considerable contributions to the Group in the year.

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

Hong Kong, 28 September 2018

As at the date of this announcement, the Board of the Company comprises Mr. TAN Harry Chua (Chairman), Dr. CHAN Wing Kit, Frank (Chief Executive Officer), Mr. TAN Lucio Jr. Khao, Mr. TAN Michael Gonzales, Mr. PASCUAL Ramon Sy, Mr. CHUA Joseph Tan and Mr. CHIU Siu Hung, Allan as executive Directors; and Mr. CHONG Kim Chan, Kenneth, Dr. SY Robin Chua, Dr. FOK Kam Chu, John, Mr. GO Patrick Lim and Mr. TAN Kenway Hao as independent non-executive Directors.