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 2020

RESULTS

The board of directors (the "**Directors**") of Dynamic Holdings Limited (the "**Company**") announces that the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 30 June 2020 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	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**92,054**	106,206
Direct costs		**(26,467)**	(25,407)
Gross profit		**65,587**	80,799
Other income, gains or losses	*4*	**16,180**	15,894
(Decrease) increase in fair value of investment properties	*8*	**(168,560)**	3,560
Increase in fair value of properties held for sale upon transfer to investment properties	*8*	**88,228**	–
Administrative expenses		**(37,053)**	(43,730)
Selling expenses		**(394)**	(923)
Finance costs		**(3,469)**	(4,325)
Share of loss of a joint venture		**(10,940)**	(10,140)
(Loss) profit before taxation		**(50,421)**	41,135
Income tax credit	*5*	**23,860**	8,445
(Loss) profit for the year		**(26,561)**	49,580
Other comprehensive expense for the year			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		**(78,898)**	(91,249)
Total comprehensive expense for the year		**(105,459)**	(41,669)

	Note	Year ended 30 June 2020 HK$'000	2019 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(28,413)**	48,730
Non-controlling interests		**1,852**	850
		(26,561)	49,580
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(105,884)**	(40,919)
Non-controlling interests		**425**	(750)
		(105,459)	(41,669)
(Loss) earnings per share *(Hong Kong cents)*	7		
Basic		**(12.0)**	21.5
Diluted		**(11.9)**	20.5

Consolidated Statement of Financial Position

		At 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Non-current Assets			
Property, plant and equipment		**1,980**	2,431
Right-of-use assets		**1,067**	–
Investment properties	*8*	**1,910,689**	2,051,020
Interest in a joint venture	*9*	**78,918**	93,605
Amount due from a joint venture	*9*	**220,448**	215,712
Other asset		**1,313**	1,364
		2,214,415	2,364,132
Current Assets			
Properties held for sale		**–**	15,441
Loan receivables		**–**	–
Trade and other receivables	*10*	**24,385**	30,594
Amount due from a non-controlling shareholder		**837**	301
Pledged bank deposits		**4,235**	13,065
Fixed bank deposits		**145,068**	157,679
Bank balances and cash		**134,292**	102,835
		308,817	319,915
Current Liabilities			
Trade and other payables	*11*	**46,401**	43,778
Lease liabilities		**1,131**	–
Tax payable		**88,395**	91,022
Bank loan – due within one year		**3,840**	107,759
		139,767	242,559
Net Current Assets		**169,050**	77,356
Total Assets less Current Liabilities		**2,383,465**	2,441,488

	At 30 June	
	2020	2019
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**237,704**	228,324
Reserves	**1,750,325**	1,867,332
Equity attributable to owners of the Company	**1,988,029**	2,095,656
Non-controlling interests	**37,287**	36,862
Total Equity	**2,025,316**	2,132,518
Non-current Liabilities		
Bank loan – due after one year	**95,667**	–
Deferred tax liabilities	**253,404**	293,795
Long-term rental deposits received	**9,078**	15,175
	358,149	308,970
	2,383,465	2,441,488

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 at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods or service.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

HKFRS 16 "Leases"

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

Definition of a lease

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

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

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

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

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

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

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

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

As a lessor

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

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

(b) Effective on 1 July 2019, the Group has applied HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in the contract to each lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current period.

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[6]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 3	Reference to Conceptual Framework[5]
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 1	Classification of Liabilities as Current or Non-current[7]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 16	Property, Plant and Equipment-Proceeds before Intended use[5]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRSs	Annual Improvements to HKFRS 2018–2020[5]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
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 2020
5 Effective for annual periods beginning on or after 1 January 2022
6 Effective for annual periods beginning on or after 1 June 2020
7 Effective for annual periods beginning on or after 1 January 2023

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;

- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 July 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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. During the year ended 30 June 2020, the Group ceased the business of property sales segment as the relevant properties held for sale have been rented out and the Directors have changed the intention to hold for earning rentals and/or capital appreciation. As at 30 June 2020, the property sales segment assets and liabilities have been aggregated in property rental segment accordingly.

The revenue from property rental for the year ended 30 June 2020 includes variable lease payments that do not depend on an index or a rate of HK$3,779,000, the remaining amounts are lease payments that are fixed. The revenue from property sale is recognised at a point in time.

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

(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			
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT REVENUE								
REVENUE								
External sales	**32,062**	36,774	**59,992**	69,432	**–**	–	**92,054**	106,206
SEGMENT RESULT	**74,864**	11,003	**(90,333)**	73,522	**(165)**	(198)	**(15,634)**	84,327
Unallocated other income, gains or losses							**13,710**	13,199
Unallocated corporate expenses							**(34,088)**	(41,926)
Finance costs							**(3,469)**	(4,325)
Share of loss of a joint venture							**(10,940)**	(10,140)
(Loss) profit before taxation							**(50,421)**	41,135

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 loss, imputed interest income on amount due from a joint venture, share of loss of a 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			
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**705,193**	653,179	**1,215,581**	1,402,948	**–**	20,785	**1,920,774**	2,076,912
Interest in a joint venture							**78,918**	93,605
Amount due from a joint venture							**220,448**	215,712
Unallocated corporate assets							**303,092**	297,818
Consolidated total assets							**2,523,232**	2,684,047
LIABILITIES								
Segment liabilities	**19,280**	6,462	**33,751**	30,328	**–**	10,836	**53,031**	47,626
Unallocated corporate liabilities							**444,885**	503,903
Consolidated total liabilities							**497,916**	551,529

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 tax payable, bank loan, deferred tax liabilities and other corporate liabilities.

(c) Other segment information

	Property rental				Property sales		Segment Total		Unallocated		Consolidated	
	Beijing		Shanghai		Beijing							
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	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	**–**	–	**–**	–	**27**	316	**27**	316	**139**	807	**166**	1,123
Depreciation of property, plant and equipment	**–**	–	**–**	–	**161**	101	**161**	101	**369**	316	**530**	417
Depreciation of right-of-use assets	**–**	–	**–**	–	**–**	–	**–**	–	**2,324**	–	**2,324**	–
(Decrease) increase in fair value of investment properties	**(31,051)**	(10,222)	**(137,509)**	13,782	**–**	–	**(168,560)**	3,560	**–**	–	**(168,560)**	3,560
Increase in fair value of properties held for sale upon transfer to investment properties	**88,228**	–	**–**	–	**–**	–	**88,228**	–	**–**	–	**88,228**	–

(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	
	2020	2019
	HK$'000	*HK$'000*
PRC (other than Hong Kong)	**1,992,654**	2,147,056
Hong Kong	**1,313**	1,364
	1,993,967	2,148,420

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

(e) Revenue from customers of the corresponding year contributing over 10% of the Group's revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**9,475**	N/A[1]

[1] The corresponding revenue did not contribute over 10% of the Group's revenue.

4. OTHER INCOME, GAINS OR LOSSES

	2020	2019
	HK$'000	*HK$'000*
Included in other income, gains or losses are:		
Bank interest income	**4,495**	4,730
Exchange loss, net	**(3,951)**	(5,841)
Imputed interest income on amount due from a joint venture	**12,626**	13,855

5. INCOME TAX CREDIT

	2020	2019
	HK$'000	*HK$'000*
The tax credit comprises:		
Enterprise Income Tax in the PRC (other than Hong Kong)		
Current year	**6,049**	7,014
Underprovision in prior years	**–**	91
	6,049	7,105
Deferred tax credit	**(29,909)**	(15,550)
	(23,860)	(8,445)

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 subsidiary 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$2,531,000 (2019: HK$2,634,000) has been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits.

6. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Final dividend paid in respect of year ended 30 June 2019 of 4 Hong Kong cents (2018: 4 Hong Kong cents) per share	**9,508**	9,133
Interim dividend paid in respect of year ended 30 June 2020 of 2 Hong Kong cents (2019: 3 Hong Kong cents) per share	**4,754**	6,850
	14,262	15,983

No final dividend was proposed for the year ended 30 June 2020 (2019: 4 Hong Kong cents per share).

7. (LOSS) EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the year attributable to owners of the Company)	**(28,413)**	48,730

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**236,249,200**	226,930,941
Effect of dilutive potential ordinary shares on share options	**1,710,868**	11,025,912
Number of ordinary shares for the purpose of diluted (loss) earnings per share	**237,960,068**	237,956,853

8. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2018	2,136,283
Exchange realignment	(88,823)
Increase in fair value recognised in profit or loss	3,560
At 30 June 2019	2,051,020
Exchange realignment	(74,799)
Transfer from properties held for sale	103,028
Decrease in fair value recognised in profit or loss	(168,560)
At 30 June 2020	**1,910,689**

The fair value of the Group's investment properties (including commercial and carparks portion and office units) as at 30 June 2020 and 2019 has been arrived at on the basis of valuations carried out by Savills Valuation and Professional Services Limited, an independent firm of qualified professional valuers not connected with the Group with appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at with adoption of the direct comparison approach by making reference to comparable sales transactions as available in the market and where appropriate, adopted the investment method by capitalising the rental income 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$168,560,000 (2019: net gain arising from increase in fair value of HK$3,560,000) 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.

The properties held for sale of the Group were situated in the PRC. During the year, the Group transferred properties held for sale with carrying amount of HK$14,800,000 to investment properties as evidenced by the management reassessment on usage of the properties, with their occupancy rate, past and expected future return rate and the evidences of existing non-temporary operating leases. The difference between the fair value at the date of transfer of HK$103,028,000 and the carrying amount amounted to HK$88,228,000 has been recognised in profit or loss. The fair value at the date of transfer was determined based on the valuations carried out by Savills Valuation and Professional Services Limited.

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

	2020	2019
	HK$'000	*HK$'000*
Cost of investment, unlisted	**184,787**	188,154
Share of post-acquisition losses and reserves	**(105,869)**	(94,549)
	78,918	93,605
Amount due from a joint venture	**220,448**	215,712

Note:

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

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

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

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

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 2020 which has not been recognised by the Group amounted to HK$10,368,000 (2019: HK$10,368,000), as the Directors consider the result of the arbitration is subject to the agreement of the Chinese joint venture partner.

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 prior year.

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 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 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% (2019: 6%) per annum.

The Directors have assessed the recoverability of interest in a joint venture and amount due from a joint venture amounting to HK$78,918,000 (2019: HK$93,605,000) and HK$220,448,000 (2019: HK$215,712,000), respectively, as at 30 June 2020. 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 2020, 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 which HK$30,000 (2019: HK$30,000) are measured at amortised cost at an effective interest rate of 6.15% (2019: 6.15%) per annum. The Group allows an average credit period of 30 days (2019: 30 days) to the buyers in respect of property sales and 30 days (2019: 30 days) for tenants.

The following is an aged analysis of trade receivables of HK$7,953,000 (2019: HK$7,655,000) net of allowance for credit losses of HK$3,045,000 (2019: HK$3,161,000) presented based on the invoice date at the end of the reporting period:

	2020	2019
	HK$'000	*HK$'000*
0–30 days	**3,404**	3,155
31–60 days	**766**	92
61–90 days	**337**	397
More than 90 days	**401**	850
	4,908	4,494

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.

As at 30 June 2020, included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$1,731,000 (2019: HK$1,471,000) which are past due at the reporting date. Out of the past due balances, HK$401,000 (2019: HK$850,000) has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are still considered recoverable.

11. TRADE AND OTHER PAYABLES

At 30 June 2020, the balance of trade and other payables included trade payables of HK$1,175,000 (2019: HK$914,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	2020	2019
	HK$'000	*HK$'000*
0–60 days	**954**	868
61–90 days	**–**	–
Over 90 days	**221**	46
	1,175	914

The other payables mainly include rental deposits received of HK$16,483,000 (2019: HK$12,172,000), receipt in advance of HK$4,814,000 (2019: HK$5,991,000) and other tax payable of HK$5,413,000 (2019: HK$5,820,000).

RESULTS REVIEW

For the financial year ended 30 June 2020, the Group recorded a total revenue of HK$92,054,000 (2019: HK$106,206,000) and gross profit of HK$65,587,000 (2019: HK$80,799,000), showing decrease of about 13% and 19% respectively compared with those of last year. These results were primarily attributable to the reduced rental income of investment properties of the Group in mainland China denominated in renminbi yuan ("**RMB**"), with gross profit margin at 71% (2019: 76%).

During the year under review, the Group accounted for other income of HK$16,180,000 (2019: HK$15,894,000), which mainly arose from imputed and bank interest income in the sum of HK$17,121,000 (2019: HK$18,585,000) with the net exchange loss of HK$3,951,000 (2019: HK$5,841,000) due to the devaluation of RMB against Hong Kong dollar ("**HKD**") in the year. The Group recognized an aggregate decrease of HK$168,560,000 (2019: increase of HK$3,560,000) in the fair value of the investment properties under subdued market sentiment. In addition, the Group accounted for increase in fair value of properties held for sale upon transfer to investment properties in the sum of HK$88,228,000 (2019: nil). Administrative expenses for the year amounted to HK$37,053,000 (2019: HK$43,730,000).

After taking into account of the decrease in fair value of the investment properties together with the related effect of taxation in the year, the loss for the year attributable to shareholders of the Company was HK$28,413,000 (2019: profit of HK$48,730,000), with basic loss per share of 12 Hong Kong cents (2019: basic earnings per share of 21.5 Hong Kong cents).

In addition, due to exchange difference on currency translation to presentation currency in HKD from functional currency in RMB, which devalued against HKD by 3.8% (2019: devalued by 4.3%) in the year, the other comprehensive expense was HK$78,898,000 (2019: HK$91,249,000), and the total comprehensive expense attributable to shareholders of the Company amounted to HK$105,884,000 (2019: HK$40,919,000) in the year.

BUSINESS REVIEW

In the year under review, the overall revenue and results of the Group were principally derived from its operating segment of property rental in mainland China located in Beijing and Shanghai denominated in RMB, which performed adversely as compared with last year in the face of weakening leasing and market sentiment in Shanghai and Beijing.

With the outbreak and the adverse impact of the COVID-19 pandemic and gloomy economy in China in the year, demand from both domestic and international customers for office and retail spaces were restrained, causing increased vacancy rates and lower effective rental income generated from investment properties of the Group in Shanghai and Beijing, that exerted downward pressure on rental income, capital value of its properties and the profitability of the Group.

The rental income of the Group generated from its investment properties in two major cities, Shanghai and Beijing, was in the amount of RMB83,011,000 (2019: RMB92,474,000), denoting a drop of 10% as compared with that of last year. Such rental income presented in the financial statements in the sum of HK$92,054,000 (2019: HK$106,206,000), which represented all (2019: all) of the consolidated revenue of the Group in the year.

In the year under review, the Group reclassified its certain properties (the "**Properties**") in Beijing with gross floor area of about 2,460 square meters previously accounted for as held for sale into investment properties in view of such Properties being mostly leased out to generate long-term rental income according to the applicable accounting standards. As such, the fair value of such Properties less its development cost in the amount of RMB79,560,000 was recorded for the financial year ended 30 June 2020. Meanwhile, the investment properties of the Group which comprised shopping mall and carparks in Beijing as well as office units in Shanghai devalued by RMB152,000,000 (2019: appreciated by RMB3,100,000) under subdued market sentiment. As a result, the fair value of all investment properties of the Group decreased by an aggregate of RMB72,440,000 (2019: appreciated by RMB3,100,000), translating into HK$80,332,000 (2019: appreciated by the sum of HK$3,560,000) in the year. As such, the segment results of property rental reported a loss of RMB13,949,000 (2019: a profit of RMB73,596,000), presenting a loss of HK$15,469,000 (2019: a profit of HK$84,525,000), which decrease was primarily due to the drop in fair value of the investment properties as a whole. Exclusive of the changes in fair value of these investment properties and related tax effect, the underlying segment results would have been a profit of RMB58,491,000 (2019: RMB70,496,000), showing a drop of 17% as compared with that of last year.

In Beijing, the COVID-19 pandemic brought pressure on the retail market, resulting in contracted retail sales and closures of shops in lockdown that dented retailers' leasing demands and rental. Consequently, the rental income mainly generated from the well-established community mall (including car parks) of the Group in Chaoyang District was suppressed with average occupancy rate of about 89% (2019: 91%) throughout the year. Thereby, the rental income of this segment in the year totaled RMB28,912,000 (2019: RMB32,019,000), translating into HK$32,062,000 (2019: HK$36,774,000) which showed a fall of about 10% as compared with that of last year and accounted for 35% (2019: 35%) of the total revenue of the Group. The fair value of these investment properties including the Properties increased in the sum of RMB51,560,000 (2019: decreased by RMB8,900,000), translating to HK$57,177,000 (2019: decreased by HK$10,222,000). After accounting for the fair value of the Properties, a profit of HK$74,864,000 (2019: HK$11,003,000) was recorded in the segment results in the year. Disregarding changes in fair value of these investment properties and related tax effect, the underlying segment results would have been a profit of RMB15,949,000 (2019: RMB18,480,000), showing a drop of 14% as compared with that of last year.

In Shanghai, office rent continued to slide under uncertainty resulting from the pandemic and stagnant economy which was further intensified by the new and abundant supply of office space particularly in decentralized areas that led to a downturn and a drag on leasing rates and rental in the year. The quality offices of the Group known as "Eton Place" which is in the prominent financial location of Lujiazui in Pudong recorded a declining average occupancy rate to about 79% (2019: 90%) in the year, whereas the rental income was in the sum of RMB54,099,000 (2019: RMB60,454,000), showing a fall of 11% as compared with that of last year. It translated into HK$59,992,000 (2019: HK$69,432,000) which shared 65% (2019: 65%) of the total revenue of the Group in the year. The fair value of these investment properties depreciated in the sum of RMB124,000,000(2019: appreciated by RMB12,000,000) amidst stagnant market sentiment, translating into HK$137,509,000 (2019: HK$13,782,000). Thereby, this segment results recorded a loss of HK$90,333,000 (2019: a profit of HK$73,522,000) in the year. Disregarding the changes in fair value of these investment properties and related tax effect, the underlying segment results would have recorded a profit of RMB42,541,000 (2019: RMB52,016,000), showing a drop of 18% as compared with 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% of equity interests), which holds interests in a piece of land located in Tung Kok Tau, Nanshan District, Shenzhen ("**Existing Land**"), continued its proceedings of compulsory liquidation ("**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 closely monitored the liquidation proceedings of Zhen Wah with the assistance of its legal advisers. Meanwhile, the Group worked actively with the Liquidation Committee, relevant official authorities and Chinese joint venture partner regarding the liquidation and the proposal for re-zoning, compensation for demolition, relocation, increase of gross developable area and swap of the Existing Land ("**Land Swap**") in accordance with the relevant laws and regulations.

As announced on 11 September 2019 ("**Land Swap Announcement**"), the official agreement for the Land Swap ("**Agreement**") has been 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) ("**Bureau**") and Zhen Wah.

Pursuant to the Agreement and as more particularly described in the Land Swap Announcement, Zhen Wah and the Bureau agreed to the Land Swap, such that the Existing Land is to be surrendered by Zhen Wah to the Bureau in return for a new piece of land situated in Tung Kok Tau, Nanshan District, Shenzhen ("**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.

According to the Agreement, the New Land will have a land site area of approximately 111,000 square metres with land usage as residential, commercial including office and supporting ancillary facilities and a total developable gross floor area of approximately 395,000 square metres for multi-purpose development.

And the Group has been working closely with the relevant parties for demolition, relocation and compensation of ex-tenants regarding the delivery of vacant possession of the Existing Land and various appropriate applications and approvals as required for the Land Swap in accordance with the Agreement, and in alignment with the city planning near the New Land including but not limited to an opera house project and metro lines and station nearby.

As further announced on 16 July 2020, 深圳市中級人民法院 (Shenzhen Intermediate People's Court) in the PRC accepted the application lodged by the Liquidation Committee to further extend the period of Compulsory Liquidation of Zhen Wah for six months up to January 2021.

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 Existing Land, pursuant to a shareholders' agreement entered into between the Group and the Chinese joint venture partner on 20 December 1996 in relation to Zhen Wah ("**Shareholders' Agreement**"). After the arbitral hearing for the Arbitration in July 2019 and as announced on 31 July 2020, an arbitral award dated 14 July 2020 relating to the Arbitration was made by the Arbitration Commission ("**Arbitral Award**"). Pursuant to the Arbitral Award, compensations paid or to be paid by the Shenzhen municipality government for resumption of part of the Existing Land from Zhen Wah on various occasions prior to 2012 do not constitute rent, income or profit generated from the Land under the Shareholders' Agreement, pursuant to which the Group is entitled to 80%. This does not affect the Group's entitlement to 49% equity interests in Zhen Wah and its corresponding distributions to be made in the Compulsory Liquidation which will be made after repayment of all debts and applicable expenses prior to any such distributions. Irrespective of the result of the Arbitration, Zhen Wah will be wound up in the liquidation process in due course.

In the year, the Group shared of loss of Zhen Wah in the sum of HK$10,940,000 (2019: HK$10,140,000) and incurred professional fees in the amount of HK$8,320,000 (2019: HK$12,819,000) for the Compulsory Liquidation and the Arbitration.

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 year. The main objective is to utilize the Group's funding efficiently and to manage financial risks effectively. At 30 June 2020, the equity attributable to its owners amounted to RMB1,815,945,000 (30 June 2019: RMB1,843,465,000) with net asset value per share of RMB7.64 (30 June 2019: RMB8.07), translating to HK$1,988,029,000 (30 June 2019: HK$2,095,656,000) with net asset value per share of HK$8.36 (30 June 2019: HK$9.18). Total unsecured and secured bank borrowings of the Group amounted to about HK$99,507,000 (30 June 2019: HK$107,759,000), which were in Hong Kong dollars and repayable within three years on floating rate basis. As at 30 June 2020, the gearing ratio of the Group was 5% (30 June 2019: 5%) based on the total debt of the Group to its equity attributable to owners of the Company. The exposure to foreign currency fluctuations that affected the Group in the year under review was mainly due to the fluctuation of RMB devaluation against HKD, resulting in the net exchange loss of HK$3,951,000 (2019: net exchange loss of HK$5,841,000) and exchange difference on translation functional currency of RMB to presentation currency of HKD, amounting to other comprehensive expense of HK$78,898,000 (2019: HK$91,249,000). No financial instruments were used for hedging purpose in the year. And the Group will continue to closely monitor the impact of fluctuation of RMB in order to minimize its adverse impact.

Financial Resources and Liquidity

In the year under review, there was sufficient cashflow as generated by rental revenue of investment properties in Shanghai and Beijing. As at 30 June 2020, the fixed bank deposits, bank balances and cash of the Group stood at HK$279,360,000 (30 June 2019: HK$260,514,000), in aggregate and was denominated primarily in RMB. With sufficient cashflow, the Group maintained un-utilized credit facilities of HK$11,000,000 as at 30 June 2020 (30 June 2019: HK$16,000,000) as working capital at floating interest rate. The Group's net current assets amounted to HK$169,050,000 (30 June 2019: HK$77,356,000) with current ratio of 2.21 (30 June 2019: 1.32) as at 30 June 2020. And no significant capital expenditure commitments and authorizations was made in the year.

Pledge of Assets and Contingent Liabilities

As at 30 June 2020, the Group pledged its properties with a total carrying value of HK$798,082,000 (30 June 2019: HK$918,536,000), with 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$4,235,000 (30 June 2019: HK$13,065,000) to banks to secure banking facilities and home loans granted to the home buyers of a property project of the Group. As at the end of the reporting period, the Group has given guarantees in respect of settlement of home loans provided by banks to the home buyers of a property project in Beijing. As at 30 June 2020, the Group had given guarantees in respect of such home loans of HK$511,000 (30 June 2019: HK$1,032,000). The Directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant on the basis of the low loan ratio.

PROSPECTS

The year 2020 has been challenging and unprecedented in view of the outbreak of the COVID-19 pandemic and its devastating impact, uncertainties in the development of Sino-US friction and restrictive policy toward mainland China, all weighing on the economic outlook in mainland China. Nevertheless, due to the effective confinement of COVID-19 pandemic in mainland China, the sound resilient fundamentals of China's economy coupled with effective official effort and favorable fiscal, economic and social measures to curtail the post-pandemic impact, it is anticipated that China will rebound and retool its economy to be more self-sustaining and to rely on robust domestic demand and digital innovation as the main drivers of its economy so as to boost consumption and unleash market potential, which will lead to resurgence in and improvement of leasing activities of office and retail sectors gradually in Beijing and Shanghai.

In Beijing, although consumers are prone to on-line platform for consumption, the retail operations and consumption environment are resuming gradually step-by-step. And it is believed that retail leasing and turnover volumes of shopping malls will see gradual improvement as the resilient middle-class exhibiting consumer confidence will resume physical-store shopping after emerging from the COVID-19 pandemic lockdown. To safeguard tenants and maintain occupancy rate and recurring revenue, the Group will endeavor to take proactive strict and effective measures of property management, for pandemic prevention and control, and adjust both on-line and off-line leasing and marketing strategies. The Group will also revamp tenant mix to get a new fresh look for shoppers and to enhance the mall to differentiate from competitors. The Group will adopt competitive and effective rental strategies to attract new retailers and retain the existing retailers.

In Shanghai, the headwinds of office leasing will wane but it is expected that the net take-up of office space in the core business district will remain stagnant under fierce competition and slowing economy, continuing trend for occupiers to decentralize in emerging areas for flexible leasing terms, competitive rental and diversified leasing services, all posing downside risks to the office leasing market in Lujiazui in the short-term. Yet, it is believed that the new metro line and station near Eton Place to be completed in 2021 will enhance its prime location for leasing. Meanwhile, the Group will continue to enhance its competitive and effective rental strategies from time to time to attract new tenants and retain existing tenants, including refurbishment of the property, providing value-added services such as turnkey solutions and improving property management, so as to procure better rental level and leasing rate.

Shenzhen is identified as the primary growth node in the Greater Bay Area as its concentration of high innovative and technically-advanced industries can help stimulate economic development in the region. It is anticipated that with the infrastructural improvement in Shenzhen, it will be developed as a financial, technological and logistic hub in the region. All will enhance the development value of the land located in Tung Kok Tau, Nanshan District.

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.

Meanwhile, the Group will keep on working with the relevant parties to monitor the progress of Land Swap involving appropriate applications and approvals required for the Land Swap in accordance with the relevant laws, regulations and rules of the PRC applicable to Zhen Wah, demand for ex-tenant to duly vacate the Existing Land, and to optimize city planning of the New Land in line with the projects of opera house and infrastructure nearby. In view of the above, there is no assurance that further significant delay and impediments to the Land Swap, or to the approval for the relevant applications and execution of the relevant land contract relating to New Land will not arise.

And based on the PRC legal advice received by the Group, assets of Zhen Wah will eventually be sold by way of public auction or disposed of by other applicable means subject to endorsement of the PRC court upon receipt of proposal of the Liquidation Committee in accordance with the PRC laws, and any surplus (after settlement of all relevant liabilities including taxation) will be distributed to the joint venture partners in accordance with their equity contributions. However, the issues involved in the Compulsory Liquidation are complex and sophisticated, involving not only the PRC court but also various governmental authorities. There is no assurance that the Compulsory 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 does not recommend the payment of a final dividend for the year ended 30 June 2020 (2019: 4 Hong Kong cents per share).

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

For the purpose of ascertaining the rights of shareholders to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 4 December 2020 ("**2020 AGM**"), the register of members of the Company will be closed from Tuesday, 1 December 2020 to Friday, 4 December 2020 (both days inclusive). In order to be eligible to attend and vote at the 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 30 November 2020.

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 2020, the Company has applied the principles and has complied with the code provisions as set out in the Corporate Governance Code stipulated in Appendix 14 to the Listing Rules, save and except deviation from code provision E.1.2. At the annual general meeting of the Company held on 29 November 2019 ("**2019 AGM**"), the chairman of the Board was unable to attend the 2019 AGM due to other business engagements. Meanwhile, management and external auditor of the Company together with the chairmen and/or members of the Board's committees attended the 2019 AGM to answer relevant questions raised by and understand the views of the shareholders of the Company thereat.

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 2020 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 2020 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 continued support to the Group and all staff of the Group for their contributions to the Group in the year.

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

Hong Kong, 29 September 2020

As at the date of this announcement, the Board of the Company comprises Dr. TAN Lucio C. (Chairman), Mr. CHIU Siu Hung, Allan (Chief Executive Officer), Mrs. TAN Carmen K., Mr. PASCUAL Ramon Sy, Mr. CHUA Joseph Tan and Ms. TAN Vivienne Khao as executive Directors; and Mr. CHONG Kim Chan, Kenneth, Dr. FOK Kam Chu, John, Mr. GO Patrick Lim, Mr. NGU Angel and Mr. MA Chiu Tak, Anthony as independent non-executive Directors.