DYNAMIC HOLDINGS LIMITED

達力集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 29)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

INTERIM RESULTS

The board of directors (the "**Directors**") of Dynamic Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 December 2017 together with comparative figures for the corresponding period in 2016. The condensed consolidated financial statements of the Group for the six months ended 31 December 2017 are unaudited and have been reviewed by the audit committee and external auditor, Deloitte Touche Tohmatsu, of the Company.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Six months ended 31 December	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		Unaudited	Unaudited
Revenue	*3*	**54,536**	51,121
Direct costs		**(12,189)**	(10,752)
Gross profit		**42,347**	40,369
Other income, gains and losses	*4*	**14,583**	2,898
Increase in fair value of investment properties	*8*	**47,408**	42,974
Administrative expenses		**(14,323)**	(12,766)
Selling expenses		**(487)**	(574)
Finance costs		**(1,562)**	(1,992)
Share of loss of a joint venture		**(4,852)**	(5,123)
Profit before taxation		**83,114**	65,786
Taxation	*5*	**(2,900)**	(7,111)
Profit for the period		**80,214**	58,675

	Note	Six months ended 31 December	
		2017	2016
		HK$'000	*HK$'000*
		Unaudited	Unaudited
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		**78,876**	(88,542)
Total comprehensive income (expense) for the period		**159,090**	(29,867)
Profit for the period attributable to:			
Owners of the Company		**78,876**	58,003
Non-controlling interests		**1,338**	672
		80,214	58,675
Total comprehensive income (expense) attributable to:			
Owners of the Company		**156,376**	(28,986)
Non-controlling interests		**2,714**	(881)
		159,090	(29,867)
Earnings per share ***(Hong Kong cents)***	*7*		
Basic		**35.05**	25.80
Diluted		**33.13**	24.55

Condensed Consolidated Statement of Financial Position

	Notes	At 31 December 2017 *HK$'000* Unaudited	At 30 June 2017 *HK$'000* Audited
Non-current Assets			
Property, plant and equipment		**2,209**	2,214
Investment properties	*8*	**2,115,060**	1,990,736
Interest in a joint venture	*9*	**86,008**	86,974
Amount due from a joint venture	*9*	**233,467**	218,549
Other asset		**1,435**	1,382
		2,438,179	2,299,855
Current Assets			
Properties held for sale		**16,347**	15,675
Loan receivables		**–**	–
Trade and other receivables	*10*	**50,785**	35,438
Amount due from a non-controlling shareholder		**915**	881
Pledged bank deposits		**14,986**	4,610
Fixed bank deposits		**135,942**	130,035
Bank balances and cash		**128,714**	128,243
		347,689	314,882
Current Liabilities			
Trade and other payables	*11*	**65,804**	62,269
Tax payable		**95,420**	93,744
Dividend payable		**6,752**	–
Bank loans – due within one year		**7,766**	7,770
		175,742	163,783
Net Current Assets		**171,947**	151,099
Total Assets less Current Liabilities		**2,610,126**	2,450,954
Capital and Reserves			
Share capital		**225,066**	225,066
Reserves		**1,902,636**	1,753,012
Equity attributable to owners of the Company		**2,127,702**	1,978,078
Non-controlling interests		**37,445**	34,731
Total Equity		**2,165,147**	2,012,809
Non-current Liabilities			
Bank loans – due after one year		**131,639**	135,520
Deferred tax liabilities		**313,340**	302,625
		444,979	438,145
		2,610,126	2,450,954

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2017.

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 property sales segment includes sales of the Group's trading properties in Beijing.

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

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

	Property rental				Property sales		Consolidated	
	Beijing		Shanghai		Beijing			
	Six months ended 31 December (Unaudited)							
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT REVENUE								
REVENUE								
External sales	**17,941**	17,436	**36,595**	33,685	**–**	–	**54,536**	51,121
SEGMENT RESULT	**27,119**	12,680	**62,213**	69,818	**(95)**	(99)	**89,237**	82,399
Unallocated other income							**13,522**	2,399
Unallocated corporate expenses							**(13,231)**	(11,897)
Finance costs							**(1,562)**	(1,992)
Share of loss of a joint venture							**(4,852)**	(5,123)
Profit before taxation							**83,114**	65,786

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, exchange gain (loss), bank interest income, imputed interest incomes on amount due from a joint venture and other receivables, finance costs and share of loss of joint venture. This is the measure reported to the Board for the purposes of resources allocation and performance assessment.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Included in other income, gain and losses are:		
Bank interest income	**1,552**	1,913
Exchange gain (loss), net	**5,029**	(6,409)
Imputed interest income on amount due from a joint venture	**6,711**	6,895
Imputed interest income on other receivables	**–**	1

5. TAXATION

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	Unaudited	Unaudited
The tax charge comprises:		
Current tax in the PRC (other than Hong Kong)		
Current period	**3,761**	3,509
Deferred tax (credit) charge	**(861)**	3,602
	2,900	7,111

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC 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.

6. DIVIDENDS

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Final dividend payable in respect of year ended 30 June 2017 of 3 Hong Kong cents (2016: 3 Hong Kong cents) per share	**6,752**	6,750

Subsequent to the end of the current interim period, the Directors of the Company have declared that an interim dividend of 2.5 Hong Kong cents (six months ended 31 December 2016: 2.5 Hong Kong cents) will be paid to the owners of the Company whose names appear on the register of members of the Company on 13 April 2018.

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:

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**78,876**	58,003

	Six months ended 31 December	
	2017	2016
	Unaudited	Unaudited
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**225,066,181**	224,811,901
Effect of dilutive potential ordinary shares on share options	**12,998,662**	11,448,153
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**238,064,843**	236,260,054

8. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2017 (audited)	1,990,736
Exchange realignment	76,916
Increase in fair value of investment properties	47,408
At 31 December 2017 (unaudited)	**2,115,060**

The fair value of the Group's investment properties as at 30 June 2017 and 31 December 2017 has been arrived at on the basis of valuations carried out on those dates 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 by reference to market evidence of transaction prices for similar properties in the same location and conditions or where appropriate by considering the capitalising income to be derived from the existing tenancies and the reversionary potential of the properties. The revaluation gave rise to a net gain arising from increase in fair value of HK$47,408,000 (six months ended 31 December 2016: HK$42,974,000) which has been recognised in profit or loss.

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

	At 31 December 2017 *HK$'000* Unaudited	At 30 June 2017 *HK$'000* Audited
Cost of investment, unlisted	**165,595**	162,265
Share of post-acquisition losses and reserves	**(79,587)**	(75,291)
	86,008	86,974
Amount due from a joint venture	**233,467**	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 31 December 2017 which has not been recognised by the Group amounted to HK$10,368,000 (30 June 2017: HK$10,368,000), as the Directors of the Company 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 under liquidation process, the legal identity of Zhen Wah still exists and the net assets of Zhen Wah will be distributed to the joint venture partners based on their equity contributions after the completion of the liquidation. The Directors of the Company expect that the liquidation process is not expected to complete within one year. Accordingly, the Directors of the Company continue to account for Zhen Wah as a joint venture of the Group using the equity method of accounting in these condensed consolidated financial statements.

The amount due from a joint venture is unsecured and 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% (30 June 2017: 6%) per annum.

The Directors of the Company have assessed the recoverability of interest in a joint venture and amount due from a joint venture amounting to HK$86,008,000 and HK$233,467,000, respectively as at 31 December 2017. Based on the latest financial information and fair value of net assets of Zhen Wah, the Directors of the Company have concluded that the amounts will be fully recoverable.

Particulars of the joint venture as at 31 December 2017 and 30 June 2017 are as follows:

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

10. TRADE AND OTHER RECEIVABLES

For property sales, the Group allows an average credit period of 30 days (30 June 2017: 30 days) to the buyers. Rentals receivable from tenants and service income receivables from customers are payable on presentation of invoices.

The following is an aged analysis of trade receivables of HK$9,028,000 (30 June 2017: HK$9,459,000) net of allowance for doubtful debts of HK$3,326,000 (30 June 2017: HK$3,430,000) presented based on invoice date at the end of the reporting period:

	At 31 December 2017 ***HK$'000*** **Unaudited**	At 30 June 2017 *HK$'000* Audited
0–60 days	**4,453**	4,335
61–90 days	**71**	116
More than 90 days	**1,178**	1,578
	5,702	6,029

Included in the Group's trade receivable balances are debtors with a carrying amount of HK$2,355,000 (30 June 2017: HK$2,481,000) which are past due at the end of the reporting period 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 209 days (30 June 2017: 92 days) overdue.

Aging of past due but not impaired trade receivables

	At 31 December 2017 *HK$'000* Unaudited	At 30 June 2017 *HK$'000* Audited
Overdue:		
0–30 days	**922**	622
31–60 days	**184**	165
61–90 days	**71**	116
More than 90 days	**1,178**	1,578
	2,355	2,481

11. TRADE AND OTHER PAYABLES

At 31 December 2017, the balance of trade and other payables included trade payables of HK$1,369,000 (30 June 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:

	At 31 December 2017 *HK$'000* Unaudited	At 30 June 2017 *HK$'000* Audited
0–60 days	**554**	2,057
Over 60 days	**815**	469
	1,369	2,526

The other payables mainly include rental deposits of HK$31,381,000 (30 June 2017: HK$29,628,000) and receipt in advance of HK$4,140,000 (30 June 2017: HK$5,645,000).

RESULTS REVIEW

For the six months ended 31 December 2017, the Group reported a total revenue of HK$54,536,000 (2016: HK$51,121,000) and gross profit of HK$42,347,000 (2016: HK$40,369,000), showing mild increase of 7% and 5% respectively compared with those of the previous corresponding period. These results were attributable to the stable rental income of investment properties of the Group denominated in renminbi yuan ("**RMB**"), with gross profit margin at 78% (2016: 79%).

During the period under review, the Group accounted for other income of HK$14,583,000 (2016: HK$2,898,000), mainly attributable to imputed interest income of HK$6,711,000 (2016: HK$6,895,000) and the net exchange gain of HK$5,029,000 (2016: net exchange loss of HK$6,409,000) due to the RMB appreciation against Hong Kong dollar ("**HKD**"). In addition, the Group recognised an aggregate increase of HK$47,408,000 (2016: HK$42,974,000) in the fair value of the investment properties.

After taking into account of the effect of reduced taxation and currency translation to presentation currency in HKD from functional currency in RMB, which appreciated 2.8% against HKD (2016: devalued 6.5%) in the period, the profit for the period attributable to shareholders of the Company was HK$78,876,000 (2016: HK$58,003,000), which increased by 36% from that of the last corresponding period, with basic earnings per share of HK$0.3505 (2016: HK$0.2580).

Meanwhile, the other comprehensive income was HK$78,876,000 (2016: other comprehensive expense of HK$88,542,000) due to the above-mentioned exchange difference on translation, and the total comprehensive income attributable to shareholders of the Company amounted to HK$156,376,000 (2016: total comprehensive expense of HK$28,986,000).

BUSINESS REVIEW

In the period under review, the overall revenue and results of the Group were principally derived from its operating segment in terms of property rental in the mainland China denominated in RMB, which performed steadily as compared with those of the last corresponding period.

The rental income of the Group generated from its investment properties in two major cities, Shanghai and Beijing, amounted to RMB46,244,000 (2016: RMB44,609,000), showing a slight increase of 4% as compared with that of last corresponding period. Such rental income presented in the financial statements in the sum of HK$54,536,000 (2016: HK$51,121,000), which represented all (2016: all) of the consolidated revenue income of the Group in the period. 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 RMB40,200,000 (2016: RMB37,500,000), translating into HK$47,408,000 (2016: HK$42,974,000) in the period. As such, the segment results of property rental reported a profit of RMB75,750,000 (2016: RMB71,989,000), presenting in HK$89,332,000 (2016: HK$82,498,000) which shows an increase of 8% as compared with the last corresponding figure.

In Beijing, the rental income generated from the well-established community mall (including car parks) of the Group in Chaoyang District improved with an average occupancy rate over 95% (2016: over 95%) throughout the period. In addition, the rental income of this segment in the period totalled RMB15,214,000 (2016: RMB15,215,000) translating into HK$17,941,000 (2016: HK$17,436,000) which accounted for 33% (2016: 34%) of the total revenue of the Group. The fair value of these investment properties appreciated in the sum of RMB14,200,000 (2016: RMB1,500,000), translating into HK$16,746,000 (2016: HK$1,719,000). Thereby, a profit of HK$27,119,000 (2016: HK$12,680,000) was recorded in this segment results in the period, denoting a substantial rise of 114% as compared with that of the last corresponding period. Due to limited residential units held for sale by the Group in Beijing, there was nil (2016: nil) proceeds of property sales of the Group making an administrative loss of HK$95,000 (2016: HK$99,000) in this segment results of property sales in the period.

In Shanghai, the quality offices of the Group known as "Eton Place" which is in the prominent financial location of Little Lujiazui in Pudong attained an average occupancy rate of over 95% (2016: full) with moderate increase in rental rate during the period. And the rental income was in the sum of RMB31,031,000 (2016: RMB29,394,000), showing a mild increase of 6% from that of the last corresponding period, translating into HK$36,595,000 (2016: HK$33,685,000) which accounted for 67% (2016: 66%) of the total revenue of the Group in the period. The fair value of these investment properties appreciated in the sum of RMB26,000,000 (2016: RMB36,000,000), translating into HK$30,662,000 (2016: HK$41,256,000). Thereby, this segment results recorded a total profit of HK$62,213,000 (2016: HK$69,818,000) in the period, denoting a moderate drop of 11% as compared with that of the last corresponding period.

During the period under review, Shenzhen Zhen Wah Harbour Enterprises Ltd. ("**Zhen Wah**", a joint venture in which the Group 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 nominated by the PRC court.

In the period, 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 against Zhen Wah were under review by the Liquidation Committee and the PRC court. Meanwhile, 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 is subject to official valuation, assessment and approval in accordance with the relevant laws and regulations. Based on PRC legal advice received by the Group, the Land will eventually be sold by way of public auction or disposed of by other applicable means in accordance with PRC laws, and any surplus (after settlement of all relevant liabilities) will be distributed to the joint venture partners in accordance with their equity contributions.

As announced on 7 February 2018, due to complexity of issues involved in the liquidation of Zhen Wah including the aforesaid matters, 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 July 2018.

As reported on 29 September 2017, 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. 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. If both shareholders of Zhen Wah fail to compromise, the Arbitration will resume. Irrespective of the result of the Arbitration, Zhen Wah will be wound up in the liquidation process in due course.

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 prudent manner during the period. The main objective is to utilise the group funding efficiently and to manage the financial risks effectively. At 31 December 2017, the equity attributable to its owners amounted to HK$2,127,702,000 (30 June 2017: HK$1,978,078,000) with net asset value per share of HK$9.45 (30 June 2017: HK$8.79). Total unsecured and secured bank borrowings of the Group amounted to about HK$139,405,000 (30 June 2017: HK$143,290,000), which were in Hong Kong dollars and repayable within three years on floating rate basis. As at 31 December 2017, the gearing ratio of the Group was 7% (30 June 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 affected the Group in the period under review was mainly due to the fluctuation of RMB appreciated against HKD, resulting in the net exchange gain of HK$5,029,000 (six months ended 31 December 2016: net exchange loss of HK$6,409,000) and exchange difference on translation functional currency of RMB to presentation currency of HKD, amounting to other comprehensive income of HK$78,876,000 (six months ended 31 December 2016: other comprehensive expense of HK$88,542,000). No financial instruments were used for hedging purpose in the period. And the Group will continue to closely monitor the impact of fluctuation of RMB in order to minimise its adverse impact.

Financial Resources and Liquidity

In the period under review, there was sufficient cashflow as generated by rental revenue of investment properties in Shanghai and Beijing. As at 31 December 2017, the bank balance and deposits and cash of the Group stood at HK$264,656,000 (30 June 2017: HK$258,278,000) in aggregate and denominated primarily in RMB. With sufficient cashflow, the Group maintained an un-utilised credit facilities of HK$16,000,000 as working capital at floating interest rate as at 31 December 2017 (30 June 2017: HK$16,000,000). No significant capital expenditure commitments and authorisations were made in the period.

Pledge of Assets and Contingent Liabilities

As at 31 December 2017, the Group pledged its properties with a total carrying value of HK$937,900,000 (30 June 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 institutions as security against general banking facilities granted to the Group, and also pledged certain of its bank deposits in the sum of HK$14,986,000 (30 June 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 has given guarantees in respect of settlement of home loans provided by banks to the home buyers of a property project in Beijing. As at 31 December 2017, the Group had given guarantees in respect of such home loans of HK$2,140,000 (30 June 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

With the solid economic growth of China and strengthening RMB in the period under review, it is anticipated that the China government will continue to adopt expedient fiscal and monetary policy to procure economic growth in the long term, to moderate exchange rate of RMB and local investments, associated with focus on development of high-end service industry and domestic consumption that will continue to bolster leasing demand of office and retail sectors.

In Beijing, strong growth of online retail sales and increasing supply of retail space will continue to put pressure on demand and rental of retail spaces. Nevertheless, it is expected that the resilient middle-class consumption 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 marketing strategies, emphasising an experience-focused brand mix and outlet stores so as to attract the attention of more consumers.

In Shanghai, it is expected that take-up of office market will remain stable in Pudong as financial hub and driven by demand from local financial and professional enterprises as well as co-working companies. 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 Company in Zhen Wah. It will continue to adopt the best available measures and take expedient action with a view to protecting the Company'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.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 2.5 Hong Kong cents (2016: 2.5 Hong Kong cents) per share for the six months ended 31 December 2017 to the shareholders of the Company whose names appear on the register of members on Friday, 13 April 2018. The warrants for the interim dividend are expected to be despatched to those entitled on or about Friday, 27 April 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 April 2018 to Friday, 13 April 2018 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 9 April 2018.

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

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

CORPORATE GOVERNANCE

Throughout the six months ended 31 December 2017, 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.

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

Hong Kong, 27 February 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.