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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021

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 2021 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	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**86,719**	92,054
Direct costs		**(28,105)**	(26,467)
Gross profit		**58,614**	65,587
Other income, gains or losses	*4*	**32,419**	16,180
Decrease in fair value of investment properties	*8*	**(22,069)**	(168,560)
Increase in fair value of properties held for sale upon transfer to investment properties	*8*	**–**	88,228
Administrative expenses		**(42,290)**	(37,053)
Selling expenses		**(575)**	(394)
Finance costs		**(1,947)**	(3,469)
Share of loss of a joint venture		**(9,011)**	(10,940)
Profit (loss) before taxation		**15,141**	(50,421)
Income tax (charge) credit	*5*	**(26,929)**	23,860
Loss for the year		**(11,788)**	(26,561)
Other comprehensive income (expense) for the year			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation to presentation currency		**198,816**	(78,898)
Total comprehensive income (expense) for the year		**187,028**	(105,459)

	Note	Year ended 30 June 2021 HK$'000	2020 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(14,065)**	(28,413)
Non-controlling interests		**2,277**	1,852
		(11,788)	(26,561)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**181,050**	(105,884)
Non-controlling interests		**5,978**	425
		187,028	(105,459)
Loss per share ***(Hong Kong cents)***	*7*		
Basic		**(5.9)**	(12.0)

Consolidated Statement of Financial Position

		At 30 June	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
Non-current Assets			
Property, plant and equipment		**2,402**	1,980
Right-of-use assets		**5,651**	1,067
Investment properties	*8*	**2,074,921**	1,910,689
Interest in a joint venture	*9*	**91,831**	78,918
Amount due from a joint venture	*9*	**242,129**	220,448
Other asset		**1,441**	1,313
		2,418,375	2,214,415
Current Assets			
Loan receivables		**–**	–
Trade and other receivables and prepayments	*10*	**12,302**	24,385
Amount due from a non-controlling shareholder		**919**	837
Pledged bank deposits		**28,362**	4,235
Fixed bank deposits		**101,558**	145,068
Bank balances and cash		**209,614**	134,292
		352,755	308,817
Current Liabilities			
Trade and other payables	*11*	**51,641**	46,401
Lease liabilities		**2,283**	1,131
Tax payable		**96,706**	88,395
Bank loan – due within one year		**3,834**	3,840
		154,464	139,767
Net Current Assets		**198,291**	169,050
Total Assets less Current Liabilities		**2,616,666**	2,383,465

	At 30 June	
	2021	2020
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**237,704**	237,704
Reserves	**1,928,998**	1,750,325
Equity attributable to owners of the Company	**2,166,702**	1,988,029
Non-controlling interests	**43,265**	37,287
Total Equity	**2,209,967**	2,025,316
Non-current Liabilities		
Bank loan – due after one year	**91,833**	95,667
Deferred tax liabilities	**299,809**	253,404
Long-term rental deposits received	**11,551**	9,078
Lease liabilities	**3,506**	–
	406,699	358,149
	2,616,666	2,383,465

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 services.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The application of the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 and the related Amendments[1]
Amendments to HKFRS 3	Reference to Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
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.
5 Effective for annual periods beginning on or after 1 April 2021.

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 had been rented out and the Directors have changed the intention to hold to earn rentals and/or capital appreciation.

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".

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			
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT REVENUE								
REVENUE								
External sales	**29,237**	32,062	**57,482**	59,992	**–**	–	**86,719**	92,054
SEGMENT RESULT	**98,650**	74,864	**(59,146)**	(90,333)	**–**	(165)	**39,504**	(15,634)
Unallocated other income, gains or losses							**27,444**	13,710
Unallocated corporate expenses							**(40,849)**	(34,088)
Finance costs							**(1,947)**	(3,469)
Share of loss of a joint venture							**(9,011)**	(10,940)
Profit (loss) before taxation							**15,141**	(50,421)

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, net exchange gain (loss), impairment losses recognised on trade receivables under expected credit loss model, 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.

4. OTHER INCOME, GAINS OR LOSSES

	2021	2020
	HK$'000	*HK$'000*
Included in other income, gains or losses are:		
Imputed interest income on amount due from a joint venture	**14,167**	12,626
Bank interest income	**5,358**	4,495
Exchange gain (loss), net	**9,629**	(3,951)
Government grants	**510**	449
Impairment losses recognised on trade receivables under expected credit loss model	**(1,896)**	–

5. INCOME TAX CHARGE (CREDIT)

	2021	2020
	HK$'000	*HK$'000*
The tax charge (credit) comprises:		
Enterprise Income Tax in the PRC (other than Hong Kong)		
Current year	**5,805**	6,049
	5,805	6,049
Deferred tax charge (credit)	**21,124**	(29,909)
	26,929	(23,860)

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$2,755,000 (2020: HK$2,531,000) has been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits.

6. DIVIDENDS

	2021	2020
	HK$'000	*HK$'000*
Final dividend paid in respect of year ended 30 June 2019 of 4 Hong Kong cents per share	**–**	9,508
Interim dividend paid in respect of year ended 30 June 2021 of 1 Hong Kong cent (2020: 2 Hong Kong cents) per share	**2,377**	4,754
	2,377	14,262

At the reporting date, the final dividend in respect of 1 Hong Kong cent per share totaling HK$2,377,000 for the year ended 30 June 2021 has been proposed by the Board of Directors and is subject to approval by the shareholders in the annual general meeting.

No final dividend was paid for the year ended 30 June 2020.

7. LOSS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(14,065)**	(28,413)

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**237,703,681**	236,249,200

For the year ended 30 June 2021, no diluted loss per share is presented as there are no potential ordinary shares in issue. For the year ended 30 June 2020, the diluted loss per share was the same as the basic loss per share as the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options because it would otherwise result in a decrease in loss per share.

8. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 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
Exchange realignment	186,301
Decrease in fair value recognised in profit or loss	(22,069)
At 30 June 2021	**2,074,921**

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. All the investment properties are situated in the PRC.

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

	2021	2020
	HK$'000	*HK$'000*
Cost of investment, unlisted	**206,179**	184,787
Share of post-acquisition losses and reserves	**(114,348)**	(105,869)
	91,831	78,918
Amount due from a joint venture	**242,129**	220,448

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 2021 which has not been recognised by the Group amounted to HK$10,368,000 (2020: 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 years.

Based on the PRC laws and regulations and the related interpretations by an external PRC legal counsel engaged by the Group, after the expiry of the operation period and even 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% (2020: 6%) per annum.

The Directors have assessed the recoverability of interest in a joint venture and amount due from a joint venture. During the year ended 30 June 2021, the adjustment of the statutory plans, the approval of land use plan and land construction planning permit for the new piece of land situated in Tung Kok Tau, Nanshan District, Shenzhen, were granted in favour of Zhen Wah. Based on the latest financial information and fair value of net assets of Zhen Wah, the Directors have concluded that the amount of interest in a joint venture will be fully recoverable and the expected credit loss on amount due from a joint venture is immaterial. Therefore, no loss allowance was recognised.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 30 days (2020: 30 days) to the buyers in respect of property sales and 30 days (2020: 30 days) for tenants. The following is an aged analysis of trade receivables of HK$4,977,000 (2020: HK$7,953,000) net of allowance for credit losses of HK$1,942,000 (2020: HK$3,045,000) presented based on the date of rendering services at the end of the reporting period:

	2021	2020
	HK$'000	*HK$'000*
0–30 days	**2,817**	3,404
31–60 days	**118**	766
61–90 days	**63**	337
More than 90 days	**37**	401
	3,035	4,908

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.

11. TRADE AND OTHER PAYABLES

At 30 June 2021, the balance of trade and other payables included trade payables of HK$2,794,000 (2020: HK$1,175,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	2021	2020
	HK$'000	*HK$'000*
0–60 days	**2,246**	954
61–90 days	**–**	–
Over 90 days	**548**	221
	2,794	1,175

The other payables mainly include rental deposits received of HK$17,132,000 (2020: HK$16,483,000), receipt in advance of HK$5,336,000 (2020: HK$4,814,000) and other tax payable of HK$6,813,000 (2020: HK$5,413,000).

RESULTS REVIEW

For the year ended 30 June 2021, the Group reported a total revenue of HK$86,719,000 (2020: HK$92,054,000) and gross profit of HK$58,614,000 (2020: HK$65,587,000), showing decrease of about 6% and 11% respectively compared with that 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 68% (2020: 71%).

During the year under review, the Group accounted for other income of HK$32,419,000 (2020: HK$16,180,000), which mainly arose from imputed and bank interest income in the sum of HK$19,525,000 (2020: HK$17,121,000) with net exchange gain of HK$9,629,000 (2020: net exchange loss of HK$3,951,000) due to the appreciation of RMB against Hong Kong dollar ("**HKD**"). In addition, the Group recognized an aggregate decrease of HK$22,069,000 in the fair value of the investment properties of the Group under subdued market sentiment (2020: HK$80,332,000, after accounting for change in fair value of certain properties held for sale upon transfer to investment properties for the year ended 30 June 2020 as explained below).

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$14,065,000 (2020: HK$28,413,000), with basic loss per share of 5.9 Hong Kong cents (2020: 12 Hong Kong cents).

In addition, due to exchange difference on currency translation to presentation currency in HKD from functional currency in RMB, which appreciated against HKD by 8.9% (2020: devalued by 3.8%) in the year, the other comprehensive income was HK$198,816,000 (2020: other comprehensive expense of HK$78,898,000), and the total comprehensive income attributable to shareholders of the Company amounted to HK$181,050,000 (2020: total comprehensive expense of HK$105,884,000) 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 in property rental in mainland China (the revenue of which was denominated in RMB), which performed adversely as compared with that of last year in view of the subsisting impact of COVID-19 pandemic and suppressed leasing market sentiment in mainland China.

The rental income of the Group generated from its investment properties in two major cities, Shanghai and Beijing, was in the amount of RMB73,874,000 (2020: RMB83,011,000), denoting a drop of 11% as compared with that of last year. Such rental income was presented in the financial statements in the sum of HK$86,719,000 (2020: HK$92,054,000), which represented all (2020: all) of the consolidated revenue income of the Group in the year.

And the investment properties of the Group which comprised shopping mall, carparks and other certain properties in Beijing and office units in Shanghai devalued in the sum of RMB18,800,000 (2020: RMB72,440,000, after accounting for RMB79,560,000 of increase in fair value of certain properties of the Group held for sale upon transfer to investment properties and RMB152,000,000 of decrease in fair value of investment properties for the year ended 30 June 2020) under subdued market sentiment, translating into HK$22,069,000 (2020: HK$80,332,000) in the year. As such, the segment results of property rental reported a profit of RMB33,653,000 (2020: a loss of RMB13,949,000), presenting in a profit of HK$39,504,000 (2020: a loss of HK$15,469,000), which profit was primarily due to the reduced drop in fair value of the investment properties as a whole. Disregarding the changes in fair value of these investment properties and related tax effect, the underlying segment results would have been a profit of RMB52,453,000 (2020: RMB58,491,000), showing a drop of 10% as compared with that of last year.

In Beijing, the adverse impact of COVID-19 pandemic on retail market had not been fully overcome, weighing on retailers' leasing demands and rental of the mall of the Group in the year. As a result, the rental income mainly generated from the community mall of the Group in Chaoyang District was suppressed with a lowered average occupancy rate of about 80% (2020: 89%) throughout the year. Thereby, the rental income of this segment (including car parks and other certain properties) in the year totalled RMB24,906,000 (2020: RMB28,912,000), translating into HK$29,237,000 (2020: HK$32,062,000) which showed a fall of about 9% as compared with that of last year and accounted for 34% (2020: 35%) of the total revenue of the Group. As the construction of new metro line with station nearby our community mall in Chaoyang District commenced in March 2021, the fair value of these investment properties comprised shopping mall, carparks and other certain properties in Beijing increased in the sum of RMB66,200,000 (2020: RMB51,560,000, after accounting for change in fair value of certain properties held for sale upon transfer to investment properties for the year ended 30 June 2020), translating to HK$77,710,000 (2020: HK$57,177,000). After accounting for the change in fair value of investment properties of the Group in Beijing, a profit of HK$98,650,000 (2020: HK$74,864,000, after accounting for HK$88,228,000 of increase in fair value of certain properties of the Group held for sale upon transfer to investment properties and HK$31,051,000 of decrease in fair value of investment properties in Beijing for the year ended 30 June 2020) was recorded in this segment results in the year. Disregarding the changes in fair value of these investment properties and related tax effect, the underlying segment results would have been a profit of HK$20,940,000 (2020: HK$17,687,000), showing a rise of 18% as compared with that of last year.

In Shanghai, office rental underperformed as a result of the COVID-19 pandemic, the stagnant economy and increase in supply of office spaces (particularly in the decentralized areas), which has resulted in a combination of business closures or relocation of tenants, putting pressure 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 an average occupancy rate of about 82% (2020: 79%) in the year, whereas the rental income was in the sum of RMB48,968,000 (2020: RMB54,099,000), showing a fall of 9% as compared with that of last year. It translated into HK$57,482,000 (2020: HK$59,992,000) which accounted for 66% (2020: 65%) of the total revenue of the Group in the year. The fair value of these investment properties depreciated in the sum of RMB85,000,000 (2020: RMB124,000,000) amidst stagnant market sentiment and declining rental, translating into HK$99,779,000 (2020: HK$137,509,000). Thereby, this segment results recorded a loss of HK$59,146,000 (2020: HK$90,333,000) in the year. Disregarding the changes in fair value of these investment properties and related tax effect, the underlying segment results would have been a profit of HK$40,633,000 (2020: HK$47,176,000), showing a drop of 14% as compared with that of 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 continued to closely monitor the Compulsory Liquidation with the assistance of its legal advisers. Meanwhile, the Group worked actively with the Liquidation Committee, relevant official authorities and Chinese joint venture partner regarding the Compulsory Liquidation, re-zoning, compensation for demolition and relocation of occupants on the Existing Land and swap of the land ("**Land Swap**") under the official agreement for the Land Swap ("**Agreement**") 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 in August 2019 in accordance with the relevant laws and regulations, as announced on 11 September 2019.

Pursuant to the Agreement, Zhen Wah and the Bureau agreed to the Land Swap such that the Existing Land which is owned or occupied by Zhen Wah has to be surrendered by Zhen Wah to the Bureau ("**Surrender Land**") 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.

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

Furthermore, an agreement with the relevant official authorities was concluded for demolition, relocation and compensation of those buildings, erections and equipment on the Surrender Land ("**Relocation Compensation Agreement**"), subject to, among others, clearance and delivery of those buildings, erections and equipment thereon by Zhen Wah to the relevant official authorities which was completed in the year and subject to settlement of any economic disputes between Zhen Wah with ex-tenant(s) or any third party(ies) arising therefrom in accordance with the relevant applicable laws, regulations and rules of the PRC. An ex-tenant had lodged an administrative proceedings in May 2021 with Shenzhen Intermediate People's Court of Guangdong Province against the relevant official authorities concerning with the Surrender Land as defendants and Zhen Wah as a third party, opposing the Relocation Compensation Agreement and claiming for compensation. As advised by the Liquidation Committee and the Group's PRC legal adviser, Zhen Wah has defence to the claim against Zhen Wah under the administrative proceedings on the basis that it is lacking in factual and legal basis. The Liquidation Committee, together with the Group and the Chinese partner of Zhen Wah will closely monitor the development of the administrative proceedings and take appropriate actions as and when necessary based on the advice of its PRC legal adviser.

During the year, the adjustment of the 法定圖則 (statutory plans), the approval of 用地方案圖 (Land Use Plan) and 建設用地規劃許可證 (Land Construction Planning Permit) for the New Land were granted in favour of Zhen Wah. The New Land comprises two adjoining plots of land with total site area of approximately 109,000 square metres and land usage as residential, commercial including office and supporting ancillary facilities, of which the total developable gross floor area is approximately 395,000 square metres for multi-purpose development. Zhen Wah has been actively seeking to conclude and is in the course of settling the outstanding issues for the Land Swap, in return for signing the land use right transfer agreement for the New Land to Zhen Wah.

As further announced on 3 August 2021, 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 2022.

Regarding the application for international arbitration ("**Arbitration**") with Shenzhen Court of International Arbitration (also known as 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 and New 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**") 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 Arbitral Award, compensations (政府收地補償) paid or to be paid by the Shenzhen municipality government for resumption of part of the Existing Land and New Land from Zhen Wah on various occasions prior to 2012 do not constitute rent, income or profit generated from the Existing Land and New 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, including but not limited to repayment of all debts and applicable expenses prior to any distribution. 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 in a prudent manner during the year. The main objective is to utilize the Group's funding efficiently and to manage the financial risks effectively. At 30 June 2021, the equity attributable to its owners amounted to RMB1,802,869,000 (30 June 2020: RMB1,815,945,000) with net asset value per share of RMB7.58 (30 June 2020: RMB7.64), translating to HK$2,166,702,000 (30 June 2020: HK$1,988,029,000) with net asset value per share of HK$9.12 (30 June 2020: HK$8.36). Total bank borrowings of the Group amounted to about HK$95,667,000 (30 June 2020: HK$99,507,000), which were secured in Hong Kong dollars and repayable within three years on floating rate basis. As at 30 June 2021, the gearing ratio of the Group was 4.4% (30 June 2020: 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 the appreciation of RMB against HKD, resulting in the net exchange gain of HK$9,629,000 (2020: net exchange loss of HK$3,951,000) and exchange difference on translation functional currency of RMB to presentation currency of HKD, amounting to other comprehensive income of HK$198,816,000 (2020: other comprehensive expense of HK$78,898,000). 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 2021, the fixed bank deposits, bank balances and cash of the Group stood at HK$311,172,000 (30 June 2020: HK$279,360,000), in aggregate and denominated primarily in RMB. With sufficient cashflow, the Group maintained un-utilized credit facilities of HK$11,000,000 (30 June 2020: HK$11,000,000) as working capital at floating interest rate as at 30 June 2021. The Group's net current assets amounted to HK$198,291,000 (30 June 2020: HK$169,050,000) with current ratio of 2.28 (30 June 2020: 2.21) as at 30 June 2021. No significant capital expenditure commitments and authorizations was made in the year.

Pledge of Assets and Contingent Liabilities

As at 30 June 2021, the Group pledged its properties with a total carrying value of HK$805,211,000 (30 June 2020: HK$798,082,000), 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 a 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$28,362,000 (30 June 2020: HK$4,235,000) 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 year, 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 2021, the Group had given guarantees in respect of such home loans amounting to HK$71,000 (30 June 2020: HK$511,000). 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 year are insignificant on the basis of the low loan ratio.

PROSPECTS

With official support in the form of fiscal, economic and social measures to underpin the post-COVID-19 pandemic economic recovery, the economy in mainland China is on its path to stable and sustainable growth, leveraging on its huge domestic market and rising urbanization rate, focusing on a robust domestic demand and digital innovation to enhance the business environment and to boost consumption, and unleashing market potential, which are favorable factors to the office and retail leasing markets.

In Beijing, with steady recovery of the domestic economy consumption and in addition to opening of the first world-class theme park "Universal Studios Beijing", which is believed to attract huge travellers, it is expected that consumption momentum will rise and have a positive impact to stabilize vacancy rates of our community mall in Chaoyang District. Yet, rents require some time to fully recover to pre-COVID-19 pandemic level. And it is believed that the construction of the new metro line with station nearby will enhance the customer flow of our community mall in the future. To safeguard tenants and maintain occupancy rate and recurring revenue, the Group will endeavor to actively roll out sales promotions to boost consumption, attracting new brands to fill vacant stores and effectively adjust the brand portfolio to revamp tenant mix to bring in more shoppers, and introduce more competitive and effective rental and marketing strategies to attract new retailers and retain existing retailers.

In Shanghai, it is expected that domestic demand will continue to drive office leasing activity. However, with the influx of new supply of office particularly in the decentralized area in the form of cost-saving leasing terms, competitive rental and diversified leasing services, the net take-up for office space in core business districts will encounter keen competition weighing on downward pressure on office rental income in Lujiazui. Yet, it is believed that the new metro line and station near Eton Place to be completed in 2021/2022 will enhance its prime location for leasing. Meanwhile, the Group will continue to deploy its competitive and effective rental and leasing strategies such as refurnished office space and value-added services, to attract new tenants including co-working offices and professional firms and retain existing tenants so as to enhance our rental level and leasing rate.

Shenzhen, as the official Shenzhen Demonstration Pilot Zone and high-tech hub with recent expansion of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, is expected to further grow into a center of innovation, entrepreneurship and creativity with high-quality development and increasing global influence to become one of the world's most economically vibrant cities and serve as an important base for high-tech research, development and manufacturing in the southern part of China, as well as an engine for the development of Guangdong-Hong Kong-Macao Greater Bay Area, This will enhance the development value of the New Land in Tung Kok Tau, Nanshan District, Shenzhen. The Group will continue to act proactively for safeguarding the best interests of the Company in relation to Zhen Wah and its assets. It will keep on adopting the best available measures and take expedient actions with a view to protecting the Company's best interests in the context of the Compulsory Liquidation. The Group will closely monitor the development of the Compulsory Liquidation and continue to seek PRC legal advice and to further strive for the best interest of the Group in Zhen Wah and its assets.

Meanwhile, the Group will continue to work with the relevant parties to monitor and procure the progress of Land Swap and to optimize city planning of the New Land in line with the projects of opera house and infrastructure nearby. However, there is no assurance that the Land Swap can be completed without further significant delay or that impediments to the execution of the relevant land use right transfer agreement for the New Land to Zhen Wah will not arise.

Based on the PRC legal advice received by the Group, assets of Zhen Wah will eventually be sold by way of public auction or disposed of by other applicable means subject to endorsement of the PRC court upon receipt of proposal of the Liquidation Committee in accordance with the PRC laws, and any surplus (after settlement of all relevant liabilities including taxation) will be distributed to the joint venture partners in accordance with their equity contributions. However, the issues involved in the Compulsory Liquidation are complex and sophisticated, involving not only the PRC court but also various government authorities. There is no assurance that the Compulsory Liquidation will not be subject to significant delay, oppositions, obstructions and further dispute or litigation including but not limited to those action(s) taken and to be taken by ex-tenant(s) of Zhen Wah 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 1 Hong Kong cent (2020: nil) per share to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 13 December 2021. Together with the interim dividend of 1 Hong Kong cent 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 2 Hong Kong cents per share. Subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 17 December 2021 ("**2021 AGM**"), the warrants for the final dividend are expected to be despatched to those entitled on or about Wednesday, 12 January 2022.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2021 AGM AND FINAL DIVIDEND

For the purpose of ascertaining the rights of shareholders to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 14 December 2021 to Friday, 17 December 2021 (both days inclusive). In order to be eligible to attend and vote at the 2021 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, 13 December 2021.

For the purpose of determining the entitlement of shareholders to the proposed final dividend of the Company for the year ended 30 June 2021, the register of members of the Company will be closed from Thursday, 23 December 2021 to Wednesday, 29 December 2021 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 December 2021.

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 2021, 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 4 December 2020 ("**2020 AGM**"), the chairman of the Board was unable to attend the 2020 AGM due to travel restriction under COVID-19 pandemic. Meanwhile, management and external auditor of the Company together with the chairmen and/or members of the Board's committees attended the 2020 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 2021 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 2021 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 2021

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, Ms. TAN Vivienne Khao and Ms. TAN Irene Khao as executive Directors; and Mr. CHONG Kim Chan, Kenneth, Mr. GO Patrick Lim, Mr. NGU Angel and Mr. MA Chiu Tak, Anthony as independent non-executive Directors.