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 2022

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 2022 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	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**86,892**	86,719
Direct costs		**(24,965)**	(28,105)
Gross profit		**61,927**	58,614
Other income, gains or losses	*4*	**19,938**	32,419
Decrease in fair value of investment properties	*8*	**(17,223)**	(22,069)
Administrative expenses		**(43,299)**	(42,290)
Selling expenses		**(592)**	(575)
Finance costs		**(1,857)**	(1,947)
Share of loss of a joint venture		**(11,661)**	(9,011)
Profit before taxation		**7,233**	15,141
Income tax credit (charge)	*5*	**23,451**	(26,929)
Profit (loss) for the year		**30,684**	(11,788)
Other comprehensive (expense) income for the year			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation of presentation currency		**(60,881)**	198,816
Total comprehensive (expenses) income for the year		**(30,197)**	187,028

		Year ended 30 June	
		2022	2021
	Note	***HK$'000***	*HK$'000*
Profit (loss) for the year attributable to:			
Owners of the Company		**31,152**	(14,065)
Non-controlling interests		**(468)**	2,277
		30,684	(11,788)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(28,574)**	181,050
Non-controlling interests		**(1,623)**	5,978
		(30,197)	187,028
Earnings (loss) per share *(Hong Kong cents)*	*7*		
Basic		**13.1**	(5.9)

Consolidated Statement of Financial Position

	Notes	**At 30 June 2022** *HK$'000*	2021 *HK$'000*
Non-current Assets			
Property, plant and equipment		**1,818**	2,402
Right-of-use asset		**3,317**	5,651
Investment properties	*8*	**2,005,063**	2,074,921
Interest in a joint venture	*9*	**91,163**	91,831
Amount due from a joint venture	*9*	**235,768**	242,129
Other asset		**1,403**	1,441
		2,338,532	2,418,375
Current Assets			
Trade and other receivables and prepayments	*10*	**22,926**	12,302
Amount due from a non-controlling shareholder		**894**	919
Pledged bank deposits		**36,624**	28,362
Fixed bank deposits		**98,374**	101,558
Bank balances and cash		**188,107**	209,614
		346,925	352,755
Current Liabilities			
Trade and other payables	*11*	**46,344**	51,641
Lease liabilities		**2,372**	2,283
Tax payable		**93,823**	96,706
Bank loan – due within one year		**91,833**	3,834
		234,372	154,464
Net Current Assets		**112,553**	198,291
Total Assets less Current Liabilities		**2,451,085**	2,616,666

	At 30 June	
	2022	2021
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**237,704**	237,704
Reserves	**1,896,858**	1,928,998
Equity attributable to owners of the Company	**2,134,562**	2,166,702
Non-controlling interests	**41,642**	43,265
Total Equity	**2,176,204**	2,209,967
Non-current Liabilities		
Bank loan – due after one year	**–**	91,833
Deferred tax liabilities	**262,633**	299,809
Long-term rental deposits received	**11,114**	11,551
Lease liabilities	**1,134**	3,506
	274,881	406,699
	2,451,085	2,616,666

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 on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") 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 following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 July 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to HKFRSs in the current year has 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.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures.

As at 1 July 2021, the Group has bank borrowings with carrying amount of HK$95,667,000, the interest of which is indexed to HKD Hong Kong Interbank Offered Rate that may be subject to interest rate benchmark reform.

The amendments have had no impact on the consolidated financial statements as the bank loan has not been transitioned to the relevant replacement rate during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loan measured at amortised cost.

New and amendments to HKFRSs in issue but not 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[2]
Amendments to HKFRS 3	Reference to Conceptual Framework[1]
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 and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, 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.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies.

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.

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, residential and commercial units and carparks, are located in Shanghai and Beijing, the PRC.

The revenue from property rental for the year ended 30 June 2022 includes variable lease payments that do not depend on an index or a rate of HK$2,475,000 (2021: HK$3,718,000), the remaining amounts are lease payments that are fixed.

Property rental 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				Consolidated	
	Beijing		Shanghai			
	2022	2021	**2022**	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT REVENUE						
REVENUE						
External sales	**32,202**	29,237	**54,690**	57,482	**86,892**	86,719
SEGMENT RESULT	**(38,818)**	98,650	**83,753**	(59,146)	**44,935**	39,504
Unallocated other income, gains or losses					**18,073**	27,444
Unallocated corporate expenses					**(42,257)**	(40,849)
Finance costs					**(1,857)**	(1,947)
Share of loss of a joint venture					**(11,661)**	(9,011)
Profit before taxation					**7,233**	15,141

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, certain other income, gains and losses (mainly including imputed interest income on amount due from a joint venture, bank interest income, exchange (loss) gain, net and others), finance costs and share of loss of a joint venture. 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

	2022	2021
	HK$'000	*HK$'000*
Included in other income, gains or losses are:		
Imputed interest income on amount due from a joint venture	**13,780**	14,167
Bank interest income	**6,254**	5,358
Exchange (loss) gain, net	**(2,526)**	9,629
Government grants	**107**	510
Impairment losses recognised on trade receivables under expected credit loss model	**(949)**	(1,896)

5. INCOME TAX (CREDIT) CHARGE

	2022	2021
	HK$'000	*HK$'000*
The tax (credit) charge comprises:		
Enterprise Income Tax in the PRC (other than Hong Kong)		
Current year	**6,565**	5,805
	6,565	5,805
Deferred tax (credit) charge	**(30,016)**	21,124
	(23,451)	26,929

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$2,952,000 (2021: HK$2,755,000) has been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits.

6. DIVIDENDS

	2022	2021
	HK$'000	*HK$'000*
Final dividend paid in respect of year ended 30 June 2021 of 1 Hong Kong cent per share	**2,377**	–
Interim dividend paid in respect of year ended 30 June 2022 of 0.5 Hong Kong cents (2021: 1 Hong Kong cent) per share	**1,189**	2,377
	3,566	2,377

At the reporting date, the final dividend in respect of 0.5 Hong Kong cents per share totaling HK$1,189,000 (2021: 1 Hong Kong cent per share totaling HK$2,377,000) for the year ended 30 June 2022 has been proposed by the Board of Directors and is subject to approval by the shareholders in the annual general meeting.

7. EARNINGS (LOSS) PER SHARE

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

	2022	2021
	HK$'000	*HK$'000*
Earnings (loss) for the purposes of basic earnings (loss) per share	**31,152**	(14,065)

	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**237,703,681**	237,703,681

For both years, no diluted earnings (loss) per share is presented as there are no potential ordinary shares in issue.

8. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 July 2020	1,910,689
Decrease in fair value recognised in profit or loss	(22,069)
Exchange realignment	186,301
At 30 June 2021	2,074,921
Additions	2,990
Decrease in fair value recognised in profit or loss	(17,223)
Exchange realignment	(55,625)
At 30 June 2022	**2,005,063**

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.

The fair value of the Group's investment properties (including residential, commercial and carparks portions and office units) as at 30 June 2022 and 2021 has been arrived at on the basis of valuations carried out by independent 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 valuations were 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 revaluations gave rise to a net decrease in fair value of HK$17,223,000 (2021: HK$22,069,000) which has been recognised in profit or loss.

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

	2022	2021
	HK$'000	*HK$'000*
Cost of investment, unlisted	**217,293**	206,179
Share of post-acquisition losses and reserves	**(126,130)**	(114,348)
Interest in a joint venture	**91,163**	91,831
Amount due from a joint venture	**235,768**	242,129

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, of which the Group should be entitled to a share of 80% in line with share of total capital contributed to 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 2022 which has not been recognised by the Group amounted to HK$10,368,000 (2021: 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 years. 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 5.7% (2021: 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$91,163,000 (2021: HK$91,831,000) and HK$235,768,000 (2021: HK$242,129,000), respectively, as at 30 June 2022. During the year ended 30 June 2022, Zhen Wah was granted for the extension of land construction planning permit for the new piece of land situated in Tung Kok Tau, Nanshan District, Shenzhen, the PRC. 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 following is an aged analysis of trade receivables of HK$14,491,000 (2021: HK$4,977,000) net of allowance for credit losses of HK$2,808,000 (2021: HK$1,942,000) presented based on the date of rendering services at the end of the reporting period:

	2022	2021
	HK$'000	*HK$'000*
0–30 days	**9,231**	2,817
31–60 days	**1,710**	118
61–90 days	**701**	63
More than 90 days	**41**	37
	11,683	3,035

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

As at 30 June 2022, the balance of trade and other payables included trade payables of HK$3,158,000 (2021: HK$2,794,000). The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period:

	2022	2021
	HK$'000	*HK$'000*
0–60 days	**1,302**	2,246
61–90 days	**234**	–
Over 90 days	**1,622**	548
	3,158	2,794

The other payables mainly include rental deposits received of HK$14,229,000 (2021: HK$17,132,000), receipt in advance of HK$2,848,000 (2021: HK$5,336,000) and other tax payable of HK$5,887,000 (2021: HK$7,459,000).

RESULTS REVIEW

For the year ended 30 June 2022, the Group reported a total revenue of HK$86,892,000 (2021: HK$86,719,000) and gross profit of HK$61,927,000 (2021: HK$58,614,000), showing increases of gross profit about 6% with steady revenue compared with that of last year. These results were primarily attributable to the improved gross profit margin at 71% (2021: 68%) for rental income of investment properties of the Group in mainland China denominated in renminbi yuan ("**RMB**").

During the year under review, the Group accounted for other income of HK$19,938,000 (2021: HK$32,419,000), which mainly arose from imputed and bank interest income in the sum of HK$20,034,000 (2021: HK$19,525,000) with net exchange loss of HK$2,526,000 (2021: net exchange gain of HK$9,629,000) due to the depreciation of RMB against Hong Kong dollar ("**HKD**"). In addition, the Group recognised a decrease of HK$17,223,000 (2021: HK$22,069,000) in aggregate in the fair value of the investment properties of the Group under subdued market sentiment.

Taking into account of the decrease in fair value of the investment properties together with the related effect of taxation in the year, the profit for the year attributable to shareholders of the Company was HK$31,152,000 (2021: loss of HK$14,065,000), showing a significant rise of about 321% with basic earnings per share of 13.1 Hong Kong cents (2021: basic loss per share of 5.9 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 2.8% (2021: appreciated by 8.9%) in the year, the other comprehensive expense was HK$60,881,000 (2021: other comprehensive income of HK$198,816,000), and the total comprehensive expense attributable to shareholders of the Company amounted to HK$28,574,000 (2021: total comprehensive income of HK$181,050,000) 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 performance improved as compared with those of the last year as a result of better infrastructure surrounding its investment properties, and stable business environment and positive leasing sentiment in the year before being disrupted by the resurgence of epidemic in major cities in mainland China in the second quarter of 2022.

The rental income of the Group generated from its investment properties in two major cities, Shanghai and Beijing, was in the amount of RMB71,978,000 (2021: RMB73,874,000), denoting a drop of 3% as compared with that of last year. Such rental income was presented in the financial statements in the sum of HK$86,892,000 (2021: HK$86,719,000), which represented all of the consolidated revenue income of the Group for both years.

And the investment properties of the Group which comprised shopping mall, carparks and other certain properties in Beijing and office units in Shanghai depreciated in the sum of RMB14,267,000 (2021: RMB18,800,000) as a whole under subdued market sentiment, translating into HK$17,223,000 (2021: HK$22,069,000) in the year. As such, the segment results of property rental reported a profit of RMB37,222,000 (2021: RMB33,653,000), presenting in a profit of HK$44,935,000 (2021: HK$39,504,000), which improved performance was primarily due to the decline in decrease 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 RMB51,489,000 (2021: RMB52,453,000), showing a drop of 2% as compared with that of last year.

In Beijing, the rental income mainly generated from the well-established community mall of the Group in Chaoyang District improved with average occupancy rate of about 78% (2021: 80%) throughout the year. And the rental income of this segment (including car parks and other certain properties) in the year totalled RMB26,675,000 (2021: RMB24,906,000), which showed a rise of about 7% as compared with that of last year. It translated into HK$32,202,000 (2021: HK$29,237,000) that accounted for 37% (2021: 34%) of the total revenue of the Group. The rise of rental income is mainly due to increase in consumers' consumption with less rental concession in the year as compared with that of previous year. The fair value of these investment properties comprised shopping mall, carparks and other certain properties in Beijing decreased in the sum of RMB46,790,000 (2021: increased by RMB66,200,000) as a whole. After accounting for the change in fair value of investment properties of the Group in Beijing, a loss of HK$38,818,000 (2021: a profit of HK$98,650,000) was recorded in the 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$17,667,000 (2021: HK$20,940,000).

In Shanghai, office rental and net take-up rate was subdued due to keen competition of office leasing and relocation of tenants under supply influx particularly in decentralised areas. It was further intensified by the sudden outbreak of epidemic resulting in citywide lockdown in April and May 2022, weighing 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 improved average occupancy rate of about 87% (2021: 82%) in the year, whereas the rental income was in the sum of RMB45,303,000 (2021: RMB48,968,000), showing a fall of 7% as compared with that of last year. It translated into HK$54,690,000 (2021: HK$57,482,000) that accounted for 63% (2021: 66%) of the total revenue of the Group in the year. In the year, with the opening of new metro line and station and the improved infrastructure nearby, the prime location of Eton Place has been further enhanced. The fair value of these investment properties appreciated in the sum of RMB32,523,000 (2021: depreciated in the sum of RMB85,000,000), translating into HK$39,262,000 (2021: HK$99,779,000). Thereby, the segment results recorded a profit of HK$83,753,000 (2021: a loss of HK$59,146,000) 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$44,491,000 (2021: HK$40,633,000).

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 (the "**Existing Land**"), continued its proceedings of compulsory liquidation (the "**Compulsory Liquidation**") which commenced in July 2016 under supervision of Shenzhen Intermediate People's Court of Guangdong Province (廣東省深圳市中級人民法院) (the "**Court**") and management of a liquidation committee (the "**Liquidation Committee**") as appointed by the Court.

In the year, the Group continued to solidly 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, reclamation and outstanding issues of the Existing Land for swap of the land (the "**Land Swap**") by virtue of the official agreement for the Land Swap (the "**Agreement**") previously 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) (the "**Bureau**") and Zhen Wah in 2019 in accordance with the relevant laws and regulations.

As disclosed in the 2021/22 interim report, Zhen Wah entered into the supplemental agreement to the Agreement with the Bureau in the year, to conclude the outstanding issues including but not limited to reclamation issue and charges for the Land Swap, in return for signing the land use right transfer agreement for the New Land to Zhen Wah.

Pursuant to the Agreement and its supplemental agreement, Zhen Wah and the Bureau agreed to the Land Swap such that the Existing Land was surrendered to the Bureau (the "**Surrender Land**") in return for a new piece of land situated in Tung Kok Tau, Nanshan District, Shenzhen (the "**New Land**"), to be granted by the Bureau to Zhen Wah subject to the terms and conditions as set out therein.

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.

In the year, the Group kept on working closely with the relevant parties and authorities 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.

As previously disclosed, an agreement with the relevant official authorities was concluded for demolition, relocation and compensation of those buildings, erections and equipment on the Surrender Land (the "**Relocation Compensation Agreement**") subject to, among others, 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. In May 2021, an ex-tenant lodged an administrative proceeding with the Court against the relevant official authorities concerning with the Surrender Land as defendants and joining Zhen Wah as a third party, opposing the Relocation Compensation Agreement and claiming for compensation. In the year, the said administrative proceeding was subsequently subdivided by several separate new administrative proceedings in accordance with the relevant administrative procedure law by the ex-tenant as the plaintiff, each of which Zhen Wah was named as a third party. The reasons for claiming for compensation remained unchanged.

As advised by the Liquidation Committee and the Group's PRC legal adviser, Zhen Wah had defence to the claims under the administrative proceedings on the basis that the claims were lacking in factual and legal basis. The Liquidation Committee together with the Group and the Chinese joint venture 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.

Recently, there was a change of management of the Chinese joint venture partner of Zhen Wah. The Group was working with the joint venture partner collaboratively regarding the Compulsory Liquidation and the Land Swap and was in the process of negotiating with it about various viable proposals including but not limited to public auction of the New Land. As further announced on 8 July 2022, the Court accepted the application lodged by the Liquidation Committee to further extend the period of Compulsory Liquidation of Zhen Wah for six months up to January 2023.

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 utilise the Group's funding efficiently and to manage the financial risks effectively. As at 30 June 2022, the equity attributable to its owners amounted to RMB1,825,456,000 (30 June 2021: RMB1,802,869,000) with net asset value per share of RMB7.70 (30 June 2021: RMB7.58), translating to HK$2,134,562,000 (30 June 2021: HK$2,166,702,000) with net asset value per share of HK$8.98 (30 June 2021: HK$9.12). Total bank borrowings of the Group amounted to about HK$91,833,000 (30 June 2021: HK$95,667,000), which were secured in Hong Kong dollars and repayable within one year on floating rate basis. As at 30 June 2022, the gearing ratio of the Group was 4.3% (30 June 2021: 4.4%) 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 depreciation of RMB against HKD, resulting in the net exchange loss of HK$2,526,000 (2021: net exchange gain of HK$9,629,000) and exchange difference on translation functional currency of RMB to presentation currency of HKD, amounting to other comprehensive expense was HK$60,881,000 (2021: other comprehensive income of HK$198,816,000). 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 minimise 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 2022, the bank balance and deposits and cash of the Group stood at HK$286,481,000 (30 June 2021: HK$311,172,000), in aggregate and denominated primarily in RMB. With sufficient cashflow, the Group maintained unutilised credit facilities of HK$11,000,000 (30 June 2021: HK$11,000,000) as working capital at floating interest rate as at 30 June 2022. The Group's net current assets amounted to HK$112,553,000 (30 June 2021: HK$198,291,000) with current ratio of 1.48 (30 June 2021: 2.28) as at 30 June 2022. No significant capital expenditure commitments and authorisations was made in the year.

Pledge of Assets and Contingent Liabilities

As at 30 June 2022, the Group pledged its properties with a total carrying value of HK$823,209,000 (30 June 2021: HK$805,211,000), 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$36,624,000 (30 June 2021: HK$28,362,000) 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 2022, the Group had given guarantees in respect of such home loans amounting to HK$5,000 (30 June 2021: HK$71,000). 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

Looking ahead, the economic growth in China will face challenges and uncertainties related to resurgence of COVID-19 outbreaks in a number of cities in mainland China along with strict curbs, downturn of property market and global economic headwinds. Nevertheless, it is believed that PRC government will adopt imperative policies to integrate its national coronavirus prevention and control measures with revamping efforts to accelerate domestic consumption and urbanisation, propelling households' confidence for domestic demand, digital innovation and infrastructural development that will underpin market sentiment for leasing activities of office and retail sectors.

In Beijing, it is anticipated that the resurgence of the epidemic will impact the retail market, retracting shopping consumption and weighing on retailers' leasing demands and rental concession of the mall of the Group. Meanwhile, it is believed that the retail market will resume recovery once the pandemic outbreaks under control. To leverage the impact of the epidemic and to maintain occupancy rate and recurring revenue, the Group will endeavor to actively adjust leasing and marketing strategies including lower rents or providing subsidies support, to revamp brand's portfolios and leasing services alongside with competitive and effective rental strategies to attract new retailers/tenants and retain existing retailers/tenants.

In Shanghai, it is expected that the continued uncertainties caused by the pandemic and lockdown, together with the development of new business districts and supply influx in decentralised areas, will continuously suppress leasing market sentiment and the net demand for office space in core business districts, putting downtrend pressure on office rental income on core business location such as Lujiazui, overall occupancy and rental growth. However, it is believed that the new metro line and station near Eton Place opened in the year will enhance its prime location for leasing. Meanwhile, the Group will continue to deploy its competitive and effective rental strategies from time to time with fitting-out subsidies and more flexible leasing terms, to attract new tenants and retain existing tenants so as to maintain occupancy rate and recurring revenues.

The metropolis Shenzhen, being the official Shenzhen Demonstration Pilot Zone and high-tech hub as well as the mainland's top city for overall economic competitiveness and premier special economic zone, is expected to continue its pioneer as a world-class center of cutting-edge innovation, entrepreneurship and advanced technology with high quality development under official support, and act as the core engine for the development of Guangdong-Hong Kong-Macao Greater Bay Area.

Meanwhile, the strict COVID-19 control measures are still being undertaken to escort the economic development, the outlook for Shenzhen's property market is expected to regain economic growth and remain positive, supported by the strong economic and demographics fundamentals. This will enhance the sustainable 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 action 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 optimise city planning of the New Land in line with the projects of opera house and infrastructure nearby. Further announcements and disclosures in relation to Zhen Wah and its assets will be made by the Company as and when appropriate.

However, there is no assurance that the Land Swap can be completed without further significant delay and impediments, or that the execution of the relevant land contract 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 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 0.5 Hong Kong cents (2021: 1 Hong Kong cent) per share to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 23 December 2022. Together with the interim dividend of 0.5 Hong Kong cents per share which were paid to the shareholders of the Company during the year, the total dividend for the year amounts to a total of 1 Hong Kong cent per share. Subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 9 December 2022 ("**2022 AGM**"), the warrants for the final dividend are expected to be despatched to those entitled on or about Monday, 9 January 2023.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2022 AGM AND FINAL DIVIDEND

For the purpose of ascertaining the rights of shareholders to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 6 December 2022 to Friday, 9 December 2022 (both days inclusive). In order to be eligible to attend and vote at the 2022 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 5 December 2022.

For the purpose of determining the entitlement of shareholders to the proposed final dividend of the Company for the year ended 30 June 2022, the register of members of the Company will be closed from Tuesday, 20 December 2022 to Friday, 23 December 2022 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 19 December 2022.

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 2022, 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 F.2.2 (formerly E.1.2). At the annual general meeting of the Company held on 17 December 2021 ("**2021 AGM**"), the chairman of the Board was unable to attend the 2021 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 2021 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 2022 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.

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 2022 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 other stakeholders 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, 30 September 2022

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, 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.