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**DYNAMIC HOLDINGS LIMITED**

**達力集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 029)**

## **ANNOUNCEMENT**

### **EXPIRY OF THE JOINT VENTURE OPERATION PERIOD OF ZHEN WAH**

This announcement is made under Rule 13.09(2) of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong).

The operation period of Zhen Wah, a 49% jointly controlled entity of the Group in the PRC which is entitled to acquire land use rights of the Land, will expire on 16 January 2014.

As matters currently stand, the Company has determined not to extend the operation period of Zhen Wah upon its expiry. In the absence of such extension and based on PRC legal advice received by the Company, Zhen Wah will be wound up in accordance with the laws of the PRC upon its expiry on 16 January 2014.

The winding up of Zhen Wah per se is not expected to have any material adverse effect on the financial position of the Group.

This announcement is made under Rule 13.09(2) of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong).

As disclosed in the announcement of the Company dated 23 September 2013 under the section headed “Business Review” in the announcement of results for the year ended 30 June 2013, the operation period of Zhen Wah, a 49% jointly controlled entity of the Group in the PRC which is entitled to acquire land use rights of the Land, will expire on 16 January 2014.

Dynamic BVI, through which the Group holds its 49% equity interests in Zhen Wah, has conducted various discussions with SMC, the PRC joint venture party of Zhen Wah holding 51% equity interests in Zhen Wah.

A wide range of matters have been carefully considered by the Group, with a view to coming to an arrangement with SMC concerning the affairs and assets of Zhen Wah that would be most appropriate in the circumstances in terms of protecting and/or enhancing the interests of the Group and its shareholders. Such matters included, without limitation, an extension of the joint venture operation period of Zhen Wah on appropriate terms or a restructuring of the assets of Zhen Wah so as to enable the Land and related rights and interests to be divided or dealt with equitably and appropriately between Dynamic BVI and SMC, such that the parties may go their separate ways and redevelop or exploit the relevant parts of the Land as attributed to them.

As of the date of this announcement, no agreement has been reached in respect of the extension or other matters concerning the restructuring or continuation of the business or operations of Zhen Wah. In addition, the Company is of the view that it is unlikely for the parties to reach agreement before 16 January 2014.

As matters currently stand, the Company has determined not to extend the operation period of Zhen Wah upon its expiry. In coming to this view, the Company has balanced various factors including that (a) if the joint venture operation period of Zhen Wah is extended on existing terms, the Group will remain a 49% minority equity holder in Zhen Wah, and the Company is of the view that the existing joint venture documentation regarding Zhen Wah does not contain the necessary mechanisms of minority protection required to adequately protect the business interests of the Group; (b) any redevelopment project of the Land is expected to involve very significant investments in respect of which it is essential for the Group to have an adequate degree of management, operational and financial control; (c) given the potential size of any redevelopment project involving the Land, it is essential for the Group to have a suitable joint venture partner; (d) there was a further change in control of SMC in 2012, and the Group has, despite its requests, not been provided with the necessary information to enable the Group to assess the suitability of SMC (and its controllers) as a joint venture partner of the Group going forward; and (e) if the joint venture operation period of Zhen Wah is not extended, based on PRC legal advice received by the Group, Zhen Wah will be wound up in accordance with the laws of the PRC upon its expiry on 16 January 2014. During such liquidation and based on PRC legal advice received by the Group, the joint venture parties could agree on relevant arrangements (which may require approvals from relevant PRC governmental authorities) regarding the winding up, such as dividing the Land equitably and appropriately between Dynamic BVI and SMC. Absent such agreed arrangements, the Land will be sold by way of public auction or other applicable means in accordance with the laws of the PRC and the surplus arising from the winding up (after settlement of all liabilities, including severance payment and tax liabilities, of Zhen Wah) will be distributed to the joint venture partners in accordance with their equity contributions.

The winding up of Zhen Wah per se is not expected to have any material adverse impact on the consolidated income and assets and liabilities of the Group. However, shareholders should note there is no assurance that further dispute or litigation will not arise between Dynamic, SMC and/or Zhen Wah regarding matters concerning Zhen Wah and its assets. Shareholders are assured that the Company will settle upon a strategy that it considers most appropriate in order to protect and/or enhance the interests of the Group and its shareholders.

Further announcements will be made by the Company as appropriate to appraise shareholders of the situation concerning Zhen Wah.

## DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“Company”	Dynamic Holdings Limited (stock code: 029), a company incorporated in Bermuda with limited liability, which shares are listed on the Main Board of the Stock Exchange
“Dynamic BVI”	Dynamic (B.V.I.) Limited, an indirect wholly-owned subsidiary of the Company incorporated under the laws of the British Virgin Islands
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	a piece of land located at Tung Kok Tau in Shekou, Nanshan District, the Shenzhen Special Economic Zone, the PRC, as identified and/or referred to in a land use rights transfer contract concluded between Zhen Wah and the Land Bureau dated 18 November 1999, as adjusted by relevant official city planning and rezoning
“Land Bureau”	深圳市規劃和國土資源委員會 (Urban Planning Land and Resources Commission of Shenzhen Municipal), formerly known as 深圳市規劃國土局 (Shenzhen Municipality Planning and Land Bureau)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SMC”	深圳市航運集團有限公司 (Shenzhen Marine Group Company Limited) formerly known as 深圳市航運總公司 (Shenzhen Marine Company), an enterprise established under the laws of the PRC

“Zhen Wah” an equity joint venture enterprise established under the laws of the PRC and owned as to 49% by Dynamic BVI and 51% by SMC

“%” or “per cent” percentage

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

Hong Kong, 5 December 2013

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. TAN Harry Chua, Dr. CHAN Wing Kit, Frank, Mr. TAN Lucio Jr. Khao, Mr. TAN Michael Gonzales, Mr. CHEUNG Chi Ming, Mr. PASCUAL Ramon Sy, Mr. CHIU Siu Hung, Allan and Mr. WONG Sai Tat as Executive Directors; and Mr. CHONG Kim Chan, Kenneth, Dr. SY Robin, Dr. FOK Kam Chu, John and Mr. GO Patrick Lim as Independent Non-executive Directors.*