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DYNAMIC HOLDINGS LIMITED

達力集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 29)

**VOLUNTARY ANNOUNCEMENT
UPDATE ON THE 2017 ARBITRATION
RELATING TO ZHEN WAH**

The Board wishes to provide an update on the Arbitral Award for the 2017 Arbitration relating to Zhen Wah.

This announcement is made by the board of directors (the “**Board**”) of Dynamic Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

References are made to the Interim Reports for the six months ended 31 December 2017, 2018 and 2019 of the Group, and the Annual Reports for the year ended 30 June 2017, 2018 and 2019 of the Group, together with the announcement of the Company dated 11 September 2019 (the “**Announcement**”), which, *inter alia*, referred to:

- (i) Shenzhen Zhen Wah Harbour Enterprises Ltd. (“**Zhen Wah**”, a joint venture established in the People’s Republic of China (“**PRC**”) in which the Company holds 49% equity interests), which owned or occupied the Existing Land A (as defined in the Announcement), a piece of land located in Tung Kok Tau, Nanshan District, Shenzhen in the PRC (the “**Land**”); and
- (ii) an application lodged by the Group for international arbitration (the “**2017 Arbitration**”) with Shenzhen Court of International Arbitration (also known as South China International Economic and Trade Arbitration Commission) (the “**Arbitration Commission**”) in June 2017 to determine the precise entitlement of the Group regarding rent, income and profit generated from the Land pursuant to a shareholders’ agreement entered into between the Group and the Chinese joint venture partner on 20 December 1996 in relation to Zhen Wah (the “**Shareholders’ Agreement**”), which was lodged based on PRC legal advice and to further strive for the best interests of the Group.

The Board would like to provide an update on the 2017 Arbitration. The Company has recently been notified by its PRC legal advisers of its receipt of an arbitral award dated 14 July 2020 relating to the 2017 Arbitration made by the Arbitration Commission (the “**Arbitral Award**”), pursuant to which it was determined, by a 2 to 1 majority, that compensations (政府收地補償) paid or to be paid by the Shenzhen municipality government for resumption of part of the Land from Zhen Wah on various occasions prior to 2012 (the “**Pre-2012 Land Resumption Compensation**”) do not constitute rent, income or profit generated from the Land under the Shareholders’ Agreement, pursuant to which the Group is entitled to 80%. This does not affect the Group’s entitlement to 49% equity interests in Zhen Wah and its corresponding distributions to be made in the pending compulsory liquidation proceedings (the “**Compulsory Liquidation**”). It was estimated that the total amount of Pre-2012 Land Resumption Compensation would be around RMB73,653,533, the 31% share of which (being the difference between the 80% under the Shareholders’ Agreement and the 49% equity interest in Zhen Wah) would be around RMB22,832,595. The distribution of any sums constituting rent, income or profit generated from the Land under the Shareholders’ Agreement will be subject to laws and regulations governing the Compulsory Liquidation, including but not limited to repayment of all debts and applicable expenses prior to any distribution.

The Board considers that the Arbitral Award will not have any material adverse financial effect on the Group having regard to the fact that the assets and liabilities of Zhen Wah have already been deconsolidated and the Group’s share of net assets and results will continue to be accounted for as a joint venture under the equity method based on the Group’s 49% equity interests in Zhen Wah since the Group’s year ended 30 June 2009. The Group is currently in the course of seeking legal advice on the Arbitral Award and other viable actions which may be taken to safeguard the best interests of the Group. Meanwhile, Zhen Wah will continue with the Compulsory Liquidation and be wound up in due course. As disclosed in an announcement of the Company dated 16 July 2020, the period of the Compulsory Liquidation has been further extended to January 2021.

The Company will continue to act proactively to consider its options for safeguarding the best interests of the Group in Zhen Wah. It will continue to adopt the best available measures and take expedient action (including legal action) with a view to protecting the Group’s interests in Zhen Wah and/or its assets.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 31 July 2020

Note: All the English translation of certain Chinese names or words in this announcement is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

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