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DYNAMIC HOLDINGS LIMITED

達力集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 029)

UPDATE ON ARBITRAL PROCEEDINGS

The Board wishes to provide an update to the shareholders of the Company regarding the latest development of the Arbitral Proceedings since the annual report of the Company for the year ended 30 June 2007 and the interim report of the Company for the six months ended 31 December 2007.

The board of directors (the “**Board**”) of Dynamic Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) would like to provide an update on the international arbitral proceedings (the “**Arbitral Proceedings**”) involving disputes between Dynamic (B.V.I.) Limited (“**Dynamic BVI**”, a wholly-owned subsidiary of the Company) and 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)) (“**SMC**”, an enterprise established in the People’s Republic of China (“**PRC**”)) over the equity interests in Shenzhen Zhen Wah Harbour Enterprises Ltd. (深圳圳華港灣企業有限公司) (“**Zhen Wah**”), a joint venture enterprise established in the PRC by Dynamic BVI and SMC. References are made to the relevant sections in the annual report of the Company for the year ended 30 June 2007 and the interim report of the Company for the six months ended 31 December 2007 relating to the Arbitral Proceedings.

BACKGROUND

As set out in the announcement of the Company dated 20 November 1999 (the “**Announcement**”) and the circular of the Company dated 13 December 1999 (the “**Circular**”), the Company has previously announced that (a) Dynamic BVI has increased its equity interests in Zhen Wah from 49% to 80% pursuant to the contribution of registered capital in Zhen Wah in the amount of RMB32,550,000 by Dynamic BVI (the “**Subscription**”) whereby Zhen Wah has changed from being an associated company to a subsidiary of the Company; and (b) Zhen Wah has concluded an agreement (the “**Land Contract**”) with 深圳市規劃國土局 (Shenzhen Municipality Planning and Land Bureau) (now known as 深圳市國土資源和房產管理局 (Shenzhen Municipal Bureau of Land Resources and Housing Management)) (the “**Land Bureau**”) on 19 November 1999 pursuant to which Zhen Wah shall be entitled to acquire the land use rights and redevelop a piece of land with an area of approximately 170,000 square meters located at Tung Kok Tau in Shekou, Nanshan District, the Shenzhen Special Economic Zone, the PRC (the “**Property**”). The Property is intended to be redeveloped into a multi-purpose commercial and

residential complex (the “**Redevelopment**”). As a result of the re-zoning and re-planning of the city on which the Property is located, Zhen Wah is currently in negotiations with the Land Bureau to plan for the redevelopment of the Property in order to take into account of such re-zoning and re-planning.

Pursuant to a joint venture contract relating to Zhen Wah (合同書) and the articles of association of Zhen Wah (公司章程) both dated 16 October 1994 entered into between Dynamic BVI and SMC (collectively, the “**1994 Constitutional Documents**”), subject to the 1994 Constitutional Documents becoming effective upon the obtaining of the approval from the relevant PRC government authorities (“**PRC Authorities**”), the parties thereto have agreed that, among others, the equity interests of Zhen Wah shall be re-allocated to Dynamic BVI and SMC as to 80% and 20%, respectively, upon the commencement of the implementation of the proposals relating to the Redevelopment.

Pursuant to a shareholders’ agreement dated 20 December 1996 entered into between Dynamic BVI and SMC (the “**Shareholders’ Agreement**”), subject to the Shareholders’ Agreement becoming effective upon the execution of the Land Contract (which was satisfied as mentioned above), the parties thereto have agreed that, amongst others, (a) the nature of operations of Zhen Wah shall be changed from an equity joint venture enterprise into a cooperative joint venture enterprise and Dynamic BVI shall be responsible for, including but not limited to, the funding requirements for development and construction of the projects relating to the Redevelopment; (b) the port operations and the projects relating to the Redevelopment of Zhen Wah shall be separately handled by spin-off (分立處理) such that the equity interests of a new entity for holding interest in such port operations shall be held by Dynamic BVI and SMC as to 49% and 51%, respectively; (c) the registered capital of Zhen Wah shall be increased from RMB21,000,000 to RMB53,550,000 (the “**Capital Increase**”), and such Capital Increase in the amount of RMB32,550,000 shall be contributed by Dynamic BVI by way of the Subscription; and upon completion of such Subscription, the equity interests of Zhen Wah which holds the entire interests in the Redevelopment shall be held by Dynamic BVI and SMC as to 80% and 20%, respectively; and (d) Dynamic BVI shall be responsible for the financing or arranging the financing of the payment of the land premium (the “**Land Premium**”) for the acquisition of the land use rights of the Property under the Land Contract. As referred to in the Announcement and the Circular, the total amount of the Land Premium payable under the Land Contract amounted to an aggregate sum of approximately RMB210,032,000. The Land Premium was fully paid from funding obtained by Zhen Wah (a) pursuant to the Subscription; and (b) financing in the principal amount of approximately RMB177,482,000 by Dynamic BVI, which is unsecured, re-payable on demand and at an official lending interest rate in RMB as announced by the People’s Bank of China from time to time (the “**Dynamic LP Financing**”).

Pursuant to the Shareholders’ Agreement, Dynamic BVI and SMC have entered into a supplemental joint venture contract relating to Zhen Wah (合同修訂協議) and an agreement relating to the amendment of the articles of association of Zhen Wah (章程修訂協議) both dated 20 December 1996 (collectively the “**1996 Constitutional Documents**”, together with the 1994 Constitutional Documents, the “**Constitutional Documents**”), pursuant to which, subject to the 1996 Constitutional Documents becoming effective upon the obtaining of the approval from the PRC Authorities, the parties thereto have agreed to amend the 1994 Constitutional Documents to provide for, amongst others, (a) the Capital Increase; and (b) the Subscription; and upon completion of such Subscription, the equity interests of Zhen Wah, which holds the entire interest in the Redevelopment, shall be held by Dynamic BVI and SMC as to 80% and 20%, respectively.

THE ARBITRAL PROCEEDINGS

The Arbitral Proceedings have been heard on 26 March 2008 and an arbitral award has been made by China International Economic and Trade Arbitration Commission on 30 July 2008 in relation thereto (the “**Award**”).

Pursuant to the Award, amongst others, (a) the Shareholders’ Agreement shall be legally valid and effective; (b) the Constitutional Documents are not yet effective as such Constitutional Documents have not yet been duly approved by the PRC Authorities; and (c) the registered capital of Zhen Wah is confirmed to be RMB21,000,000, of which RMB10,290,000 and RMB10,710,000 has been contributed by Dynamic BVI and SMC, respectively, and that the equity interests of Zhen Wah are held by Dynamic BVI and SMC as to 49% and 51%, respectively.

According to the PRC legal advisers of the Company, as a result of the Award, (a) Dynamic BVI is entitled to enforce its rights under the Shareholders’ Agreement; (b) although the equity interests in Zhen Wah as held by Dynamic BVI and SMC are 49% and 51%, respectively, in view of the fact that the Constitutional Documents are not yet effective since such Constitutional Documents have not yet been duly approved by the PRC Authorities, Dynamic BVI has the right to seek for the approval of the PRC Authorities in connection with the Constitutional Documents.

The Company is currently seeking legal advice and intends to take appropriate steps in connection with the Arbitral Proceedings (which may or may not include, but not limited to, the application for the partial withdrawal of the Award as to the effectiveness of the Constitutional Documents) and/or to enforce the rights of Dynamic BVI under the Shareholders’ Agreement and the Constitutional Documents.

FINANCIAL IMPACT

As a result of the Award, (a) the registered capital contributed by Dynamic BVI in November 1999 pursuant to the Subscription in the amount of RMB32,550,000 (the “**Subscription Amount**”) previously accounted for by the Group as part of investment costs in Zhen Wah for accounting purpose would be reconsidered as advances to Zhen Wah following the making of the Award (the “**Reclassification**”); and (b) Zhen Wah which was previously accounted for by the Group as a subsidiary would be reconsidered as a jointly controlled entity (the “**Change in Status**”). As such, as at the date of this announcement, the total principal amount (including interest accrued thereon) owing by Zhen Wah to the Group is approximately RMB239,556,000 (unaudited), representing 11.5% of the assets ratio (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Board is of the view that there is no material adverse impact on the consolidated income statement and the consolidated net asset value of the Group pursuant to the Award.

Due to the Reclassification and the Change in Status as a result of the Award, the granting of the Dynamic LP Financing (comprising the amount representing the Subscription Amount pursuant to the Reclassification) to Zhen Wah by Dynamic BVI exceeds 8% under the assets ratio (as defined under the Listing Rules) and is therefore subject to disclosure obligation under Rule 13.16 of the Listing Rules. Such disclosure obligation would not have arisen under the Listing Rules if Zhen Wah is regarded as a subsidiary of the Company. As at the date of this announcement, the balance of the total principal

amounts (including interest accrued thereon) owing by Zhen Wah to the Group is approximately RMB239,556,000 (unaudited), which is unsecured, re-payable on demand and of which approximately RMB175,032,000 is at an official lending interest rate in RMB as announced by the People's Bank of China from time to time and the balance is interest-free.

The Company will make further announcement in relation to the subject matter of this announcement as and when appropriate and necessary.

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

Hong Kong, 15 August 2008

As at the date of this announcement, the Board of Directors of the Company comprises Mr. CHUA Domingo, Dr. CHAN Wing Kit, Frank, Mr. TANENGLIAN Mariano Chua, Mr. TAN Lucio Jr. Khao, 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, Mr. SY Robin and Ms. SALAZAR Lourdes Apostol as Independent Non-Executive Directors.