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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 2009 Arbitral Proceedings since the interim report of the Company for the six months ended 31 December 2009.

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 arbitral award (the “**2009 Arbitral Award**”) in relation to the international arbitral proceedings (the “**2009 Arbitral Proceedings**”) lodged in 2009 by Dynamic (B.V.I.) Limited (達力有限公司) (“**Dynamic BVI**”, a wholly-owned subsidiary of the Company), petitioning, mainly, for 深圳市航運集團有限公司 (Shenzhen Marine Group Company Limited) (“**SMC**”) as the Chinese joint venture partner of Shenzhen Zhen Wah Harbour Enterprises Ltd (深圳圳華港灣企業有限公司) (“**Zhen Wah**”) to continue to fulfill its obligations under a shareholders’ agreement entered into between Dynamic BVI and SMC on 20 December 1996 in relation to Zhen Wah (the “**Shareholders’ Agreement**”) which was awarded in 2008 under a previous international arbitral proceedings (the “**2008 Arbitral Award**”) as legally valid and effective. Zhen Wah, a jointly controlled entity of the Company as at the date of this announcement, entitles to land use right of a piece of land with an area of 170,000 square meters located in Tung Kok Tau in Shenzhen (the “**Tung Kok Tau Land**”). References are made to the announcement of the Company dated 15 August 2008 and the relevant sections of the annual report of the Company for the year ended 30 June 2009 and the interim report of the Company for the six months ended 31 December 2009 relating to the 2009 Arbitral Proceedings and the 2008 Arbitral Award.

The 2009 Arbitral Proceedings have been heard on 4 September 2009 and the 2009 Arbitral Award has been made by China International Economic and Trade Arbitration Commission (“**CIETAC**”) on 27 May 2010. Pursuant to the 2009 Arbitral Award, amongst others, (a) the petition made by Dynamic BVI for SMC to continue to fulfill its obligations under the Shareholders’ Agreement which stipulated, amongst others, the increase of equity interests of the Group in Zhen Wah to 80% has been rejected by CIETAC; (b) the petition made by Dynamic BVI for the distribution of profit arising from rental income generated from the Tung Kok Tau Land before re-development in accordance with the provisions of the Shareholders’ Agreement has been supported by CIETAC; and (c) the petition made by SMC for termination of the Shareholders’ Agreement has been supported by CIETAC.

As advised by the PRC legal advisers to the Company, the 2009 Arbitral Award is final and conclusive. Based on the 2008 Arbitral Award and as disclosed in the annual report of the Company for the year ended 30 June 2009, (a) Zhen Wah has already been accounted for as a jointly controlled entity of the Group under the equity method based on the Group's 49% equity interest in Zhen Wah; and (b) all advances to Zhen Wah by the Group had been included as the Group's amount due from a jointly controlled entity. In the circumstances, 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 2009 Arbitral Award.

The Company is currently seeking advice from its PRC legal advisers for possible actions so as to safeguard its interests in the stake in Zhen Wah and the assets held by Zhen Wah for the best interest of the Company and its shareholders as a whole.

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

Hong Kong, 4 June 2010

As at the date of this announcement, the Board of the Company comprises Mr. CHUA Domingo, Dr. CHAN Wing Kit, Frank, Mr. TAN Harry 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 and Mr. SY Robin as Independent Non-executive Directors.