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*If you have sold or transferred all your shares in Dynamic Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.*

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**DYNAMIC HOLDINGS LIMITED**

**達力集團有限公司**

*(Incorporated in Bermuda with limited liability)*

*Executive Directors:*

Mr. CHUA Domingo (*Chairman*)

Mr. PANG Kit Man, John (*Chief Executive Officer*)

Mr. TANENGLIAN Mariano Chua

Mr. TAN Lucio Jr. Khao

Mr. CHEUNG Chi Ming

*Registered Office:*

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Independent Non-executive Directors:*

Mr. CHONG Kim Chan, Kenneth

Mr. SY Robin

*Principal Place of Business:*

17th Floor

Eton Tower

8 Hysan Avenue

Causeway Bay

Hong Kong

28th October, 2003

*To the shareholders of the Company*

Dear Sir or Madam,

## **GENERAL MANDATE TO REPURCHASE AND ISSUE SHARES**

### **INTRODUCTION**

This circular constitutes an explanatory statement to be sent to shareholders of the Company in compliance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to give all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolutions to approve the repurchase and issue by the Company of its own shares.

## **GENERAL MANDATE TO REPURCHASE AND ISSUE SHARES**

At the annual general meeting of the Company to be held on 19th December, 2003 (the “Annual General Meeting”), an ordinary resolution will be proposed to renew a general mandate previously granted to the Directors, in the terms set out in the notice of the Annual General Meeting, allowing them to exercise all powers of the Company to repurchase its fully-paid shares. Under such mandate, the number of shares that the Company may repurchase shall not exceed 10% of the issued share capital of the Company at the date of passing the resolution. The Company’s authority shall be restricted to repurchases made on the Stock Exchange.

As at 28th October, 2003, the latest practicable date for determining such figure, the number of shares of the Company in issue was 219,103,681. On the basis of such figure, assuming that no shares would be issued or repurchased thereafter and prior to the Annual General Meeting, the Directors would be authorized to repurchase shares of HK\$1.00 each of the Company up to a limit of 21,910,368 shares.

The mandate allows the Company to make repurchases only during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required by any applicable law or the Company’s Bye-Laws to be held or the date upon which such mandate is revoked or varied by an ordinary resolution of shareholders of the Company in general meeting.

It will also be proposed to renew the general mandate previously granted to the Directors, in the terms set out in the notice of the Annual General Meeting, allowing them to exercise all powers of the Company to allot, issue and deal with shares of the Company not exceeding 20% of the issued share capital of the Company at the date of passing the resolution, to provide flexibility to the Directors if desirable.

An ordinary resolution will also be proposed at the Annual General Meeting to authorise the extension of the general mandate to issue new shares of the Company by adding to the mandate the number of shares to be repurchased by the Company under the proposed general mandate to repurchase shares of the Company in the terms set out in the notice of Annual General Meeting.

Notice of the Annual General Meeting is set out on pages 79 to 84 of the Company’s 2003 Annual Report. A form of proxy for use at the Annual General Meeting is also enclosed therewith.

## **DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of their associates has any present intention, in the event that the proposed general mandate is approved by shareholders, to sell shares to the Company.

No connected person of the Company (as defined in the Listing Rules) has notified the Company that he/she has any present intention to sell shares to the Company nor has he/she undertaken not to sell any of the shares held by him/her to the Company in the event that the Company is authorized to make repurchases of its own shares.

## **UNDERTAKING OF THE DIRECTORS**

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed general mandate in accordance with the Listing Rules, all applicable laws of Bermuda and the regulations set out in the Memorandum of Association and Bye-Laws of the Company.

## **EFFECT OF TAKEOVERS CODES**

A repurchase of shares by the Company may result in an increase in the proportionate interests of a substantial shareholder of the Company in the voting rights of the Company, which could give rise to an obligation on such shareholder to make a mandatory offer in accordance with Rule 26 of the Hong Kong Codes on Takeovers and Mergers (the “Codes”).

As at 28th October, 2003, being the latest practicable date prior to the printing of this circular, to the best of the knowledge and belief of the Directors, Mr. CHUA Domingo, the Chairman of the Company and his associates together holding 93,321,279 shares (approximately 45.59%) and Plus Holdings Limited through its wholly-owned subsidiary holding 13,152,000 shares (approximately 6%) of the issued share capital of the Company, were the substantial shareholders holding more than 5% of the issued share capital of the Company. They were not acting in concert.

In the event that the Directors should exercise in full the power to repurchase shares which is proposed to be granted pursuant to the resolution and if there is no other change in issued share capital of the Company, the shareholdings of Mr. CHUA Domingo (together with his associates) and Plus Holdings Limited (though its wholly-owned subsidiary) in the Company would be increased to approximately 47.32% and 6.67% respectively, which would not give rise to an obligation to make a mandatory offer under Rule 26 of the Codes. Such event of being exercised in full the power to repurchase shares by the Directors also would not reduce the public shareholding in the Company to below 25% of the issued share capital of the Company.

## **LISTING RULES FOR REPURCHASES OF SHARES**

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions.

Repurchases must be funded out of funds legally available for the purpose in accordance with the laws of Bermuda, the Memorandum of Association and the Bye-Laws of the Company. It is envisaged that the Company will derive the funds for repurchase of its shares in accordance therewith.

## **REASON FOR REPURCHASES**

The Directors have no present intention to make any repurchase of the Company’s own shares but consider that the mandate will provide the Company the flexibility to make such repurchases when appropriate and beneficial to the Company and its shareholders. Such repurchases may enhance the net asset value of the Company and/or earnings per share. Based on the financial position of the Company as at 30th June, 2003 (being the date of its latest audited accounts), the Directors do not expect any material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be carried out in full during the proposed repurchase period. No repurchases would be made in the circumstances that would have a material adverse impact on the working capital or gearing ratio of the Company.

FUNDING FOR REPURCHASES

The Company is empowered by its Memorandum of Association and Bye-Laws to repurchase its own shares. Bermuda law provides that any amount repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or the profits that would otherwise be available for distribution by way of dividend or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on the repurchases, if any, may only be paid out of either the profits that would otherwise be available for distribution by way of dividend or out of the share premium or contributed surplus accounts of the Company.

GENERAL

During each of the six months preceding the date of this circular, the Company has not repurchased any of its shares. During each of the previous twelve months from 1st October, 2002 to 30th September, 2003, the highest and lowest traded prices for shares of the Company on the Stock Exchange were as follows:

Month	SHARES	
	Highest HK\$	Lowest HK\$
<b>2002</b>		
October	1.9500	1.1200
November	1.1600	1.0000
December	1.0300	0.8300
<b>2003</b>		
January	0.8700	0.7400
February	0.8400	0.7600
March	0.8500	0.6700
April	0.7200	0.5800
May	0.8300	0.6000
June	0.8200	0.7400
July	0.8800	0.7400
August	1.3200	0.7800
September	1.3500	1.1000

RECOMMENDATION

The Directors consider that the granting of the mandate to repurchase and issue shares of the Company is in the interests of the Company and its shareholders and so recommend you to vote in favour of the ordinary resolutions at the Annual General Meeting. The Directors will exercise their voting rights in respect of all of their shareholdings (if any) in favour of the ordinary resolutions.

Yours faithfully,  
For and on behalf of the Board  
**CHUA Domingo**  
*Chairman*