THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

DYNAMIC HOLDINGS LIMITED

達 力 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 029)

VERY SUBSTANTIAL DISPOSAL

A letter from the board of directors of the Company is set out on pages 3 to 10 of this circular.

A notice convening a special general meeting of the Company to be held at Unicorn Room, Basement 2, The Charterhouse, 209–219 Wanchai Road, Wanchai, Hong Kong on Friday, 18th November, 2005 at 11:00 a.m. is set out on pages 61 to 62 of this circular. A form of proxy for use by the Shareholders at the special general meeting is enclosed. Whether or not you intend to attend and vote at the special general meeting in person, please complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company's branch share registrars, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the meeting or the adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting thereof (as the case may be) should you so wish.

31st October, 2005

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In this circular, the following expressions shall have the meanings set out below unless the context indicates otherwise:

"Agreement"	the agreement dated 4th October, 2005 entered into between the Vendor and the Purchaser relating to the Disposal
"associate"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of the Directors
"Cargo Centre"	car parking spaces on the 2nd to 5th floors, flat roofs on the 2nd floor, reserved area on the 5th floor and warehousing units on 6th, 7th, 9th, 10th, 12th to 28th and 30th floors, Dynamic Cargo Centre, No. 110–118 Texaco Road and No. 180–200 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong
"Company"	Dynamic Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"connected person"	has the meaning ascribed to it in the Listing Rules
"Directors"	the directors of the Company, including independent non-executive directors of the Company
"Disposal"	the disposal of the Cargo Centre by the Vendor to the Purchaser in accordance with the terms and conditions of the Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	person(s) who is/are not connected person(s) of the Company, and is/are independent of and not connected with the Company and any of the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
"Latest Practicable Date"	28th October, 2005, being the latest practicable date for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mainland China" or "PRC"	the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Purchaser"	Macquarie Goodman DCC Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Macquarie Goodman Group
"Remaining Group"	the Group without the Cargo Centre

"Rental Guarantee Payment"	a lump sum of HK$18 million payable by the Vendor to the Purchaser upon completion of the Disposal as rental guarantee payment
"SGM"	a special general meeting of the Company to be convened and held at Unicorn Room, Basement 2, The Charterhouse, 209–219 Wanchai Road, Wanchai, Hong Kong on Friday, 18th November, 2005 at 11:00 a.m. for the purposes of seeking approval from the Shareholders for the Disposal
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$1.00 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Valuer"	Knight Frank Hong Kong Limited, an independent professional valuer appointed by the Vendor for the purpose of valuing the Cargo Centre
"Vendor"	Yonderille Developments Limited (遠僑發展有限公司), a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$" or "USD"	United States dollars, the lawful currency of the United States of America
"%"	percentage

Unless otherwise specified, conversion of USD into HK$ is based on the exchange rate HK$7.8 = USD1.00. The conversion is for the purpose of illustration only and does not constitute a representation that any amount in USD or HK$ has been, could have been or may be converted at the above rate or any other rate at all.

DYNAMIC HOLDINGS LIMITED
達力集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 029)

Executive Directors:
CHUA Domingo *(Chairman)*
PANG Kit Man, John *(Chief Executive Officer)*
TANENGLIAN Mariano Chua
TAN Lucio Jr. Khao
CHEUNG Chi Ming

Independent Non-Executive Directors:
CHONG Kim Chan, Kenneth
SY Robin
MAK Kwai Wing, Alexander

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal place of business:
17th Floor, Eton Tower
8 Hysan Avenue
Causeway Bay
Hong Kong

31st October, 2005

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL DISPOSAL

INTRODUCTION

Reference is made to the announcement of the Company dated 4th October, 2005 pursuant to which the Company has announced that the Vendor, an indirectly wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser on 4th October, 2005 in relation to the Disposal for a cash consideration of HK$650 million. Pursuant to the Agreement, the Vendor shall pay to the Purchaser a rental guarantee payment in the lump sum of HK$18 million upon completion of the Disposal.

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to the approval of Shareholders at the SGM. As far as the Company is aware, as no Shareholder has any interest in the Disposal which is different from any other Shareholders, no Shareholder will be required to abstain from voting in the SGM regarding the Disposal. Mr. Chua Domingo, who indirectly controls the voting rights of 93,321,279 Shares, representing approximately 42.59% of the issued share capital of the Company, has undertaken to the Company and the Purchaser that (i) he will procure the registered holders of the abovementioned Shares to vote in favour of the Disposal at the SGM; and (ii) he will not reduce his indirect beneficial shareholdings in the Company below 40% at any time before the SGM.

The purpose of this circular is to provide you with further information regarding the Disposal, and to give you notice convening the SGM to consider and, if thought fit, to approve the Disposal.

THE AGREEMENT

1. Date

4th October, 2005

2. Parties

Vendor: Yonderille Developments Limited (遠僑發展有限公司), a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company

Purchaser: Macquarie Goodman DCC Investments Limited, a company incorporated in Hong Kong with limited liability

The Purchaser is a wholly-owned subsidiary of Macquarie Goodman Group, the shares of which are listed on the Australian Stock Exchange (stock code: MGQ). The principal business of the Purchaser is property investment and the principal businesses of Macquarie Goodman Group comprise industrial property ownership, funds management, property development, project and development management and property services. The Purchaser has confirmed to the Vendor that its ultimate beneficial owners are the security holders of Macquarie Goodman Group.

As at the Latest Practicable Date, the Directors confirmed that, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners were Independent Third Parties. The Purchaser and its ultimate beneficial owner confirmed that they did not have any shareholding in the Company as at the Latest Practicable Date. The Directors further confirmed that having made all reasonable enquiries, neither the controlling Shareholder nor the Directors or any of their respective associates had any shareholding in Macquarie Goodman Group or any material interests in the Disposal as at the Latest Practicable Date. As far as the Company is aware, as no Shareholder has any interest in the Disposal which is different from any other Shareholders, no Shareholder will be required to abstain from voting in the SGM regarding the Disposal.

3. Consideration

Pursuant to the Agreement, the Vendor agreed to sell and the Purchaser agreed to acquire the Cargo Centre (i) in its present state and condition; (ii) subject to and with the benefit of the existing lettings, tenancies and licences; and (iii) free from encumbrances.

The consideration for the disposal of the Cargo Center is HK$650 million in cash. Taking into account the Rental Guarantee Payment (details of which are set out under paragraph 4 below), payments which have been made or will be made by the Purchaser to the Vendor in relation to the Disposal are as follows:

(i) HK$5 million as earnest money prior to the signing of the Agreement;

(ii) HK$65 million as deposit on the date of the Agreement, of which the earnest money of HK$5 million mentioned in (i) above had been transferred and treated as part payment of the deposit; and

(iii) HK$567 million upon completion of the Agreement, being the balance of the consideration of HK$585 million after deducting the Rental Guarantee Payment.

Upon completion of the Disposal, the Vendor shall receive from the Purchaser an aggregate amount of HK$632 million.

The terms and conditions of the Agreement including the consideration were reached and determined as a result of negotiations between the parties on an arm's length basis with reference to the prevailing property market conditions in Hong Kong and the valuation of HK$500 million appraised by the Valuer as at 30th June, 2005 and were on normal commercial terms. Such valuation report was issued by the Valuer on 6th September, 2005. The Cargo Centre was valued at HK$500 million as at 31st August, 2005 by the Valuer and the letter and valuation certificate are set out in Appendix IV to this circular. The Cargo Centre was valued at its market value with reference to comparable market transactions and on the basis of capitalization of the net income of the Cargo Centre and allowed for outgoings and making provisions for reversionary income potential.

The consideration of the Disposal in the amount of HK$650 million represents (a) a premium of approximately 54.8% to the carrying value of the Cargo Centre of HK$420 million as set out in the Company's audited consolidated accounts for the year ended 30th June, 2004; (b) a premium of approximately 30% to the carrying value of the Cargo Centre of HK$500 million as set out in the Company's audited consolidated accounts for the year ended 30th June, 2005; and (c) a premium of approximately 30% to the valuation of HK$500 million as appraised by the Valuer as at 31st August, 2005.

The net consideration of the Disposal of HK$632 million, being the consideration of HK$650 million after deducting the Rental Guarantee Payment, represents (a) a premium of approximately 50.5% to the carrying value of the Cargo Centre of HK$420 million as set out in the Company's audited consolidated accounts for the year ended 30th June, 2004; (b) a premium of approximately 26.4% to the carrying value of the Cargo Centre of HK$500 million as set out in the Company's audited consolidated accounts for the year ended 30th June, 2005 and; (c) a premium of approximately 26.4% to the valuation of HK$500 million as appraised by the Valuer as at 31st August, 2005.

The Directors consider that the terms and conditions of the Agreement are on normal commercial terms which are fair and reasonable so far as the Shareholders are concerned and are in the best interests of the Company and the Shareholders as a whole.

4. Rental Guarantee Payment

The Vendor shall pay to the Purchaser a lump sum of HK$18 million on completion of the Disposal being an amount agreed to be payable to the Purchaser as rental guarantee. The payment is to be deducted from the balance of the consideration payable by the Purchaser to the Vendor upon completion of the Disposal.

The Rental Guarantee Payment has been reached and determined as a result of negotiations between the Vendor and the Purchaser on an arm's length basis with reference to the existing tenancies and the prevailing rental market conditions in Hong Kong. The amount was negotiated in place of a guaranteed rental yield for 3 years upon completion of the Disposal in respect of the Cargo Centre, which was initially sought from the Vendor by the Purchaser. The Company considers that it would be in a better position to measure and contain its financial exposure by agreeing on a fixed amount of a rental guarantee payment to be deducted from the consideration of the Cargo

Centre upon completion of the Disposal. The Rental Guarantee Payment is a one-off payment and is non-refundable. The Directors consider that the Rental Guarantee Payment is on normal commercial term, which is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

5. Conditions of the Disposal

Completion of the Disposal is subject to the condition that all requirements which the Vendor and/or the Company is/are required to comply with under the Listing Rules in connection with the Disposal have been duly complied with, including but not limited to the obtaining of the Shareholders' approval of the Disposal at the SGM.

If the condition shall not be fulfilled by the Vendor on or before the date which is 7 days prior to the date for completion of the Agreement, the Vendor shall forthwith notify the Purchaser or its solicitors, and the Purchaser shall, within 5 business days of receipt of the Vendor's written notice, by written notice to the Vendor or its solicitors either to extend the date for completion of the Agreement or to rescind the Agreement with immediate effect whereupon the Vendor shall return to the Purchaser or its solicitors all deposits paid but without costs or compensation and if the return is made within 7 days from the date of receipt of the Purchaser's response, without interest, and the parties shall enter into an agreement for cancellation to cancel the Agreement and neither party shall have any claim against the other.

If the Purchaser shall fail (other than due to the default of the Vendor) to complete the purchase of the Cargo Centre pursuant to the terms of the Agreement, all deposits paid shall be forfeited to the Vendor who may rescind the sale and resell the Cargo Centre and any deficiency in price and all reasonable expenses in relation to the re-sale of the Cargo Centre shall be recoverable by the Vendor from the Purchaser. Without prejudice to the Purchaser's right to extend the date of completion mentioned above, if the Vendor shall fail (other than due to the default of the Purchaser or non-fulfillment of the above condition) to complete the sale of the Cargo Centre pursuant to the terms of the Agreement, the Vendor shall refund in full all deposits received from the Purchaser without prejudice to the Purchaser's right and remedies including to claim for damages and/or specific performance under the Agreement.

6. Completion

Subject to the right of extension available to the Purchaser mentioned in paragraph 5 above, completion of the Disposal shall take place (i) within 7 days after the receipt by the Purchaser of the Vendor's notice that all necessary Shareholders' and other approvals, including the Shareholders' approval at the SGM in respect of the Agreement and the transactions contemplated thereunder have been obtained; or (ii) by 23rd December, 2005, whichever is the earlier.

Completion of the Disposal is expected to take place on or before 23rd December, 2005.

USE OF PROCEEDS

The net sale proceeds of the Disposal, being the cash consideration of HK$650 million after deducting the Rental Guarantee Payment, are HK$632 million. Taking into account the agent's commission of approximately HK$7 million, the net proceeds from the Disposal are estimated to be approximately HK$625 million. The Directors intend to apply the estimated net proceeds from the Disposal as follows:

(a) to discharge mortgage loans over the Cargo Centre in favour of a licensed bank in Hong Kong (the principal amount outstanding as at the Latest Practicable Date was approximately HK$151.5 million); and

(b) the balance thereof for general working capital of the Group which will be approximately HK$473.5 million based on the outstanding principal amount of mortgage loans of HK$151.5 million as at the Latest Practicable Date. However, the Group may use part of such balance to finance the whole or part of the consideration for acquisition of premium properties for the Group in the Mainland China as opportunities arise.

The Company is currently considering to acquire premium properties for the Group in the Mainland China as opportunities arise. Such acquisition may be financed or partly financed by the balance of the net proceeds of the Disposal under general working capital of the Group. As at the Latest Practicable Date, the amount of such acquisition had not yet been determined by the Board. The Company is in preliminary discussions and/or reviewing of a number of opportunities in relation to premium properties in the Mainland China which include investment opportunities from related parties/connected persons of the Company. As at the Latest Practicable Date, no agreement in relation to any acquisition had been signed and no definitive terms or timetable have been agreed. The Company will keep the Shareholders and investors informed by way of announcement and take all other actions required in compliance with the applicable requirements of the Listing Rules if and when any written agreement in relation to any such investment opportunities has been signed.

INFORMATION ABOUT THE CARGO CENTRE

The Cargo Centre is located at No. 110–118 Texaco Road and No. 180–200 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong. The Cargo Centre comprises 32 van/private car parking spaces, 26 lorry parking spaces and 2 container parking spaces on the 2nd to 5th floors, flat roofs on the 2nd floor, reserved area on the 5th floor and warehousing units on the 6th, 7th, 9th, 10th, 12th to 28th and 30th floors. The Cargo Centre has a total gross floor area of approximately 718,168 square feet (excluding the car parking spaces).

The Cargo Centre was acquired by the Group in 1992 at a cost of approximately HK$560 million. The Cargo Centre has been held by the Group as investment property.

The Cargo Centre is currently subject to tenancies. Currently, the Group occupies an office of approximately 1,168 square feet which accounts for approximately 0.2% of the total gross floor area of the Cargo Centre as storage space. As at the Latest Practicable Date, the Cargo Centre was the only investment property held by the Group. The Cargo Centre is to be acquired by the Purchaser with the benefit of the existing tenancy agreements of the Cargo Centre.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on the Company's audited consolidated accounts, rental income attributed to the Cargo Centre for each of the three years ended 30th June, 2003, 30th June, 2004 and 30th June, 2005 were approximately HK$26.9 million, HK$27.2 million and HK$30.6 million, respectively, whilst the Cargo Centre recorded an operating loss of approximately HK$16.6 million including revaluation deficit of HK$40 million for the year ended 30th June, 2003, an operating profit of approximately HK$24.8 million for the year ended 30th June, 2004 and an operating profit of approximately HK$108.1 million including revaluation surplus of HK$80 million for the year ended 30th June, 2005. After completion of the Disposal, the Group will cease to receive rental income generated from the Cargo Centre. In addition, the Disposal will also reduce the future interest expenses of the Group.

Based on the Company's audited consolidated accounts for the year ended 30th June, 2005, the carrying value of the Cargo Centre was HK$500 million. Without taking into consideration of any tax effect, it is expected that, upon completion of the Disposal, a gain before tax of approximately HK$125 million (subject to audit) will be accounted for by the Group based on the estimated net proceeds from the Disposal of approximately HK$625 million, and the carrying value of the Cargo Centre of HK$500 million as at 30th June, 2005.

As mentioned in the paragraph headed "Use of proceeds" above, the Group would apply part of the proceeds from the Disposal to repay the Group's mortgage loans of which the principal amount outstanding as at the Latest Practicable Date was approximately HK$151.5 million. The intended repayment will therefore result in a reduction in the Group's total bank and other borrowings from approximately HK$291.8 million as at 30th June, 2005 based on the Group's audited consolidated accounts for the year ended 30th June, 2005 to approximately HK$140.3 million. The net assets value of the Group would also be increased from approximately HK$831 million as at 30th June, 2005 to approximately HK$954 million after completion of the Disposal as shown in the unaudited pro forma financial statements of the Remaining Group as set out in Appendix III to this circular. Accordingly, the gearing ratio of the Group, represented by a percentage of total bank and other borrowings to net assets would decrease from approximately 35% as at 30th June, 2005 to approximately 15% (subject to audit).

FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP AND REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The Group is principally engaged in property investment and development.

In view of the recent upturn in Hong Kong's property market, the Directors consider that the Disposal will provide an opportunity for the Company to dispose of the Cargo Centre which the Group has held for 13 years at a fair market price. The Disposal is a step towards the realignment of the property portfolio of the Group in order to strengthen its asset base in the long term by seeking to acquire premium properties in the Mainland China which, in the opinion of the Directors, could provide potentially higher growth in rental yield and/or capital gain in the long term. In addition, the Disposal will provide funding resources in order to achieve such realignment.

In an attempt to dampen property speculation in general, the Central Government had recently taken a series of rather drastic administrative measures. However, some cities, such as Beijing, are not severely affected. The Company is cautiously optimistic that pre-sales and sales of residential units of Phase III of Chaoyang Garden, Beijing, the PRC ("Phase III") during the financial year ending 30th June, 2006 will generally meet the targets set by the Company. The construction of Phase III has been completed in September 2005. The four-storey shopping mall of Phase III which is held as a long term investment, is being offered for leasing. It is currently expected that most shops will be taken up by the middle of next year when the grand opening of the mall will take place.

The port operations in Tung Kok Tau owned by Shenzhen Zhen Wah Harbour Enterprises Ltd., a subsidiary of the Company, benefited from the continued growth in demand for logistics support in Mainland China and the turnover of the port operations of the Group has increased by a steady growth rate of 12% for the year ended 30th June, 2005. The land premium in respect of an area of 171,788 square meters within the Tung Kok Tau site for re-development purpose has been paid in full, which provides a total re-developable gross floor area of 310,400 square meters. Negotiations with the Chinese joint venture partner of Shenzhen Zhen Wah Harbour Enterprises Ltd. to settle the outstanding dispute are continuing. The Chinese joint venture partner has made repeated allegations with respect to the authenticity and the legality of the procedures involving the increase of the Group's shareholding in Shenzhen Zhen Wah Harbour Enterprises Ltd. in an attempt to strengthen its bargaining position. Based on advice from the Company's PRC legal counsel, the allegations of the Chinese joint venture party are basically groundless. Both parties are still making attempts to settle the differences. However, the Company cannot rule out the need to resort to arbitration if a settlement cannot be reached by the end of the current financial year.

GENERAL

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Disposal is conditional on approval by the Shareholders at the SGM. As at the Latest Practicable Date, the Directors confirmed that, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner were Independent Third Parties. The Purchaser and its ultimate beneficial owner confirmed that they did not have any shareholding in the Company as at the Latest Practicable Date. The Directors further confirmed that, having made all reasonable enquiries, neither the controlling Shareholder nor the Directors or any of their respective associates had any shareholding in Macquarie Goodman Group or any material interest in the Disposal as at the Latest Practicable Date. As far as the Company is aware, as no Shareholder has any interest in the Disposal which is different from any other Shareholders, no Shareholder will be required to abstain from voting in the SGM regarding the Disposal. Mr. Chua Domingo, who indirectly controls the voting rights of 93,321,279 Shares, representing approximately 42.59% of the issued share capital of the Company, has undertaken to the Company and the Purchaser that (i) he will procure the registered holders of the abovementioned Shares to vote in favour of the Disposal at the SGM; and (ii) he will not reduce his indirect beneficial shareholdings in the Company below 40% at any time before the SGM.

SGM

A notice convening the SGM to be held at Unicorn Room, Basement 2, The Charterhouse, 209–219 Wanchai Road, Wanchai, Hong Kong on Friday, 18th November, 2005 at 11:00 a.m. is set out on pages 61 to 62 of this circular. Whether or not you are able to attend and vote at the SGM in person, you are requested to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company's branch share registrars, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM or the adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish.

RIGHT TO DEMAND A POLL AT A GENERAL MEETING OF THE COMPANY

Pursuant to bye-law 70 of the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or the withdrawal of any other demand for a poll) demanded by:

(a) the chairman of the meeting; or

(b) at least three members present in person (or where a corporate representative is allowed, by its duly authorised corporate representative) or by proxy for the time being entitled to vote at the meeting; or

(c) any member or members present in person (or where a corporate representative is allowed, by its duly authorised corporate representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(d) a member or members present in person (or where a corporate representative is allowed, by its duly authorised corporate representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring the right.

RECOMMENDATION

The Board considers that the terms and conditions of the Agreement (including the Rental Guarantee Payment) are on normal commercial terms which are fair and reasonable so far as the Shareholders are concerned and are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

FURTHER INFORMATION

Your attention is drawn to the appendices to this circular which contain certain additional information in relation to the Disposal and the Company.

Yours faithfully,
By Order of the Board of
DYNAMIC HOLDINGS LIMITED
PANG Kit Man, John
Chief Executive Officer

1. PROFIT AND LOSS STATEMENT OF THE CARGO CENTRE

		Year ended 30th June,		
		2003	**2004**	**2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Gross rental income	1	26,857	27,221	30,562
Outgoings	2	2,792	2,168	1,726
Gross rental income less outgoings		24,065	25,053	28,836
Revaluation (decrease)/increase in Cargo Centre		(40,000)	—	80,000
Interest income	3	55	—	—
Other income		21	3	3
Miscellaneous expenses	4	(701)	(233)	(553)
Allowance for doubtful debts	5	—	—	(167)
Finance costs	6	1,270	1,966	783
Taxation (credit) charge	7	(2,249)	2,205	11,658

Notes:

1. Gross rental income represented rental income received from Independent Third Parties and related companies in respect of the Cargo Centre.

2. Outgoings mainly comprise utilities charges, government rent and rates, repairs and maintenance, insurance premium, building management fees and professional fees in respect of the Cargo Centre.

3. Interest income represented interest income derived from rental income in respect of the Cargo Centre from bank deposits.

4. Miscellaneous expenses include bank charge, legal and other professional and administrative expenses in respect of the Cargo Centre.

5. Allowance for doubtful debts represented rental income unrecovered from a tenant of the Cargo Centre.

6. Finance costs represented interest on bank borrowings in respect of the Cargo Centre.

7. Taxation represented deferred tax in respect of the Cargo Centre.

Profit and loss statement of the Cargo Centre for each of the three financial years ended 30th June, 2005 set out above have been prepared by the Directors and procedures have been undertaken by the auditors of the Company in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants to ensure that such information has been properly compiled and derived from the underlying books and records of the Group.

2. VALUATION OF THE CARGO CENTRE

	HK$'000
As at:	
30th June, 2003	420,000
30th June, 2004	420,000
30th June, 2005	500,000

The valuations are based on the valuation reports issued by the Valuer.

The above valuation figures have been extracted from the published annual reports of the Company for the three financial years ended 30th June, 2005 and procedures have been undertaken by the auditors of the Company in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants to ensure that such information has been properly compiled and derived from the underlying books and records of the Group.

1. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below is a summary of the audited consolidated results and assets and liabilities of the Group for each of the three years ended 30th June, 2005 as extracted from the published annual reports of the Company for the three years ended 30th June, 2005.

Results

	For the year ended 30th June,		
	2005	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	126,939	410,257	294,752
Cost of sales	(80,153)	(336,839)	(218,402)
Gross profit	46,786	73,418	76,350
Other operating income	4,510	3,035	9,254
Administrative expenses	(26,483)	(27,267)	(30,876)
Other operating expenses of pre-development project	—	—	(3,216)
Surplus (deficit) arising on revaluation of investment properties	80,000	—	(40,000)
Profit from operations	104,813	49,186	11,512
Finance costs	(783)	(1,966)	(1,270)
Gain on dissolution of a subsidiary	1,640	—	—
Profit before taxation	105,670	47,220	10,242
Taxation	(10,993)	(9,009)	(10,420)
Profit (loss) for the year	94,677	38,211	(178)
Minority interests	(2,542)	(2,756)	41
Net profit (loss) for the year	92,135	35,455	(137)
Dividends/distributions	8,764	8,764	8,764
Basic earnings (loss) per share *(HK cents)*	42.1	16.2	(0.1)

Assets and liabilities

	As at 30th June, 2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Property, plant and equipment	12,475	13,541	8,525
Investment properties	500,000	420,000	420,000
Properties held for development	219,848	200,195	—
Properties under development	—	—	131,509
Deposit paid to acquire land use rights	—	—	51,064
Goodwill	—	161	1,302
Loan receivables — due after one year	7,147	14,729	1,616
	739,470	648,626	614,016
Current Assets			
Properties under development	248,774	138,079	315,197
Properties held for sale	150,088	202,420	162,136
Loan receivables — due within one year	8,167	10,550	2,355
Trade and other receivables	32,961	24,330	20,829
Amounts due from minority shareholders	5,035	4,922	4,775
Tax recoverable	14,949	7,727	3,792
Bank deposits — pledged	27,964	21,488	16,713
Bank balances and cash	101,773	119,734	50,433
	589,711	529,250	576,230
Current Liabilities			
Trade and other payables	118,346	90,944	194,229
Pre-sale deposits received	37,033	32,430	51,069
Tax liabilities	83	340	606
Bank loans — due within one year	99,674	24,937	22,927
	255,136	148,651	268,831
Net Current Assets	334,575	380,599	307,399
Total Assets less Current Liabilities	1,074,045	1,029,225	921,415

	As at 30th June,		
	2005	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Capital and Reserves			
Share capital	219,104	219,104	219,104
Reserves	612,027	530,296	503,605
	831,131	749,400	722,709
Minority interests	30,688	28,146	25,390
Non-current Liabilities			
Bank loans — due after one year	123,500	140,636	167,073
Other payable — due after one year	493	493	493
Loan from a related company	68,620	102,595	—
Deferred tax liabilities	19,613	7,955	5,750
	212,226	251,679	173,316
	1,074,045	1,029,225	921,415

Notes:

1. For the three years ended 30th June, 2005, the Group did not have any extraordinary items.

2. For the three years ended 30th June, 2005, the auditors' reports of the Company were not qualified.

2. FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 30TH JUNE, 2005

Set out below are the audited financial statements of the Group as extracted from the annual reports of the Company for the years ended 30th June, 2004 and 30th June, 2005:

Consolidated Income Statement

		For the year ended 30th June,	
		2005	**2004**
	Notes	*HK$'000*	*HK$'000*
Turnover	*4*	126,939	410,257
Cost of sales		(80,153)	(336,839)
Gross profit		46,786	73,418
Other operating income	*5*	4,510	3,035
Revaluation increase on investment properties		80,000	—
Administrative expenses		(26,483)	(27,267)
Profit from operations	*6*	104,813	49,186
Finance costs	*7*	(783)	(1,966)
Gain on dissolution of a subsidiary		1,640	—
Profit before taxation		105,670	47,220
Taxation	*9*	(10,993)	(9,009)
Profit for the year		94,677	38,211
Minority interests		(2,542)	(2,756)
Net profit for the year		92,135	35,455
Dividends	*10*	8,764	8,764
Basic earnings per share *(HK cents)*	*11*	42.1	16.2

Consolidated Balance Sheet

	Notes	For the year ended 30th June, 2005 HK$'000	2004 HK$'000
Non-current Assets			
Property, plant and equipment	*12*	12,475	13,541
Investment properties	*13*	500,000	420,000
Properties held for development	*14*	219,848	200,195
Goodwill	*15*	—	161
Investments in securities	*18*	—	—
Loan receivables — due after one year	*19*	7,147	14,729
		739,470	648,626
Current Assets			
Properties under development	*20*	248,774	138,079
Properties held for sale	*21*	150,088	202,420
Loan receivables — due within one year	*19*	8,167	10,550
Trade and other receivables	*22*	32,961	24,330
Amounts due from minority shareholders	*23*	5,035	4,922
Tax recoverable		14,949	7,727
Bank deposits — pledged	*37*	27,964	21,488
Bank balances and cash		101,773	119,734
		589,711	529,250
Current Liabilities			
Trade and other payables	*24*	118,346	90,944
Pre-sale deposits received		37,033	32,430
Tax liabilities		83	340
Bank loans — due within one year	*25*	99,674	24,937
		255,136	148,651
Net Current Assets		334,575	380,599
Total Assets less Current Liabilities		1,074,045	1,029,225
Capital and Reserves			
Share capital	*26*	219,104	219,104
Reserves	*27*	612,027	530,296
		831,131	749,400
Minority interests		30,688	28,146
Non-current Liabilities			
Bank loans — due after one year	*25*	123,500	140,636
Other payable — due after one year	*28*	493	493
Loan from a related company	*30*	68,620	102,595
Deferred tax liabilities	*31*	19,613	7,955
		212,226	251,679
		1,074,045	1,029,225

Balance Sheet

		As at 30th June,	
		2005	**2004**
	Notes	*HK$'000*	*HK$'000*
Non-current Assets			
Interests in subsidiaries	*16*	666,333	668,977
Loan to a subsidiary	*17*	68,620	102,595
		734,953	771,572
Current Assets			
Other receivables and prepayment		87	87
Bank balances and cash		262	228
		349	315
Current Liability			
Other payables		1,345	1,313
Net Current Liability		(996)	(998)
Total Assets less Current Liability		733,957	770,574
Capital and Reserves			
Share capital	*26*	219,104	219,104
Reserves	*27*	441,226	447,615
		660,330	666,719
Non-current Liabilities			
Amounts due to subsidiaries	*29*	5,007	1,260
Loan from a related company	*30*	68,620	102,595
		73,627	103,855
		733,957	770,574

Consolidated Statement of Changes in Equity

	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000* *(note 27)*	Negative goodwill *HK$'000*	Capital redemption reserve *HK$'000*	Translation reserve *HK$'000*	Statutory reserve *HK$'000* *(note 27)*	Retained profits *HK$'000*	Total *HK$'000*
At 1st July, 2003	219,104	426,608	55,018	3,178	1,644	(2,428)	721	18,864	722,709
Net profit for the year	—	—	—	—	—	—	—	35,455	35,455
Cash dividends	—	—	—	—	—	—	—	(8,764)	(8,764)
At 30th June, 2004	219,104	426,608	55,018	3,178	1,644	(2,428)	721	45,555	749,400
Net profit for the year	—	—	—	—	—	—	—	92,135	92,135
Gain on dissolution of a subsidiary	—	—	—	(1,640)	—	—	—	—	(1,640)
Cash dividends	—	—	—	—	—	—	—	(8,764)	(8,764)
At 30th June, 2005	219,104	426,608	55,018	1,538	1,644	(2,428)	721	128,926	831,131

Consolidated Cash Flow Statement

	For the year ended 30th June, 2005 *HK$'000*	2004 *HK$'000*
OPERATING ACTIVITIES		
Profit from operations	104,813	49,186
Adjustment for:		
Revaluation increase on investment properties	(80,000)	—
Interest income	(1,366)	(1,079)
Loss (gain) on disposal of property, plant and equipment	166	(32)
Depreciation	1,593	1,577
Amortisation of goodwill	161	1,141
Allowance for doubtful debts	653	3,790
Operating cash flows before movements in working capital	26,020	54,583
Increase in properties under development	(142,176)	(63,020)
Decrease in properties held for sale	72,204	328,011
Increase in trade and other receivables	(9,284)	(7,291)
Increase (decrease) in trade and other payables	27,123	(103,499)
Increase (decrease) in pre-sales deposits received	4,603	(18,639)
Cash (used in) generated from operations	(21,510)	190,145
Hong Kong Profits Tax paid	(28)	(33)
Overseas tax paid	(6,786)	(10,972)
Interest received	1,366	1,079
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(26,958)	180,219

Consolidated Cash Flow Statement *(continued)*

	For the year ended 30th June, 2005	2004
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Investment in properties held for development	(1,712)	(146,779)
Decrease (increase) in loan receivables	9,965	(21,308)
Increase in pledged bank deposits	(6,476)	(4,775)
Purchase of property, plant and equipment	(721)	(732)
Increase in amounts due from minority shareholders	(113)	(147)
Proceeds from disposal of property, plant and equipment	305	145
NET CASH FROM (USED IN) INVESTING ACTIVITIES	1,248	(173,596)
FINANCING ACTIVITIES		
New bank loans raised	86,037	52,670
New loan raised from a related company	3,543	102,595
Repayment of bank loans	(28,436)	(77,097)
Repayment of loan from a related company	(37,518)	—
Dividends paid	(8,764)	(8,764)
Interest paid	(7,113)	(6,726)
NET CASH FROM FINANCING ACTIVITIES	7,749	62,678
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,961)	69,301
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	119,734	50,433
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	101,773	119,734
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	101,773	119,734

Notes to the Financial Statements

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The activities of its principal subsidiaries are property investment and development.

2. Potential impact arising from the recently issued accounting standards

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005 except for HKFRS 3 Business Combination. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30th June, 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 30th June, 2005.

The Group has commenced considering the potential impact of these new HKFRSs but the directors of the Group anticipate that the adoption of these new HKFRSs would have no material impact on how its results of operations and financial position in the future are prepared and presented except as described below.

HKAS 1	Presentation of Financial Statements
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS Interpretation 21	Income taxes — Recovery of Revalued Non-Depreciable Assets

3. Significant accounting policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties of the Group and in accordance with accounting principles generally accepted in Hong Kong and the principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition and up to the effective dates of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on consolidation is capitalised and amortised on a straight-line basis over its estimated useful life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On the disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st July, 2004 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisitions on or after 1st July, 2004 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Revenue recognition

When properties under development are sold, revenue is recognised either when the sale agreement is completed or when the development is completed which is determined by the issuance of the relevant occupation permit, whichever is the later. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the lease terms.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Port operating income is recognised when the services are rendered.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market values based on professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement.

Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arise, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Properties held for/under development

Properties held for/under development are stated at cost less any identified impairment losses.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair values, with unrealised gains and losses included in net profit or loss for the period.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives using the straight line method at the following rates per annum:

Motor vehicles	15% to 20%
Plant and machinery, equipment and others	10% to 33.3%

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the assets and is recognised in the income statement.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Operating leases

Rentals payable on properties under operating leases are charged to the income statement on a straight line basis over the terms of the leases.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Retirement benefits costs

Payments to defined contribution retirement benefit plans in Hong Kong Special Administrative Region ("Hong Kong") and the People's Republic of China ("PRC") and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

4. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into three operating divisions — property sales, property rental and port operations. These principal operating activities are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property sales	—	sales of properties developed by the Group
Property rental	—	leasing of investment properties
Port operations	—	operations of the port

Segment information about these businesses is presented below:

	Property sales		Property rental		Port operations		Consolidated	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER								
External sales	76,468	365,209	30,562	27,221	19,909	17,827	126,939	410,257
SEGMENT RESULT	3,093	33,461	108,119	24,823	6,164	3,038	117,376	61,322
Unallocated other operating income							3	1,039
Unallocated corporate expenses							(12,566)	(13,175)
Profit from operations							104,813	49,186
Finance costs							(783)	(1,966)
Gain on dissolution of a subsidiary							1,640	—
Profit before taxation							105,670	47,220
Taxation							(10,993)	(9,009)
Profit for the year							94,677	38,211
Minority interests							(2,542)	(2,756)
Net profit for the year							92,135	35,455

Balance sheet

	Property sales		Property rental		Port operations		Consolidated	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS								
Segment assets	548,454	490,384	500,837	420,718	258,575	248,916	1,307,866	1,160,018
Unallocated corporate assets							21,315	17,858
Consolidated total assets							1,329,181	1,177,876
LIABILITIES								
Segment liabilities	124,127	98,644	8,648	7,264	13,674	12,925	146,449	118,833
Bank loans							223,174	165,573
Loan from a related company							68,620	102,595
Unallocated corporate liabilities							29,119	13,329
Consolidated total liabilities							467,362	400,330

Other information

	Property sales		Property rental		Port operations		Unallocated		Consolidated	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	123	304	—	—	6,137	200,195	24	428	6,284	200,927
Depreciation	409	468	—	—	1,152	1,054	32	55	1,593	1,577
Allowance for doubtful debts	32	3,790	167	—	2	—	452	—	653	3,790
Amortisation of goodwill	161	1,141	—	—	—	—	—	—	161	1,141
Revaluation increase on investment properties	—	—	80,000	—	—	—	—	—	80,000	—

Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market		Profit from operations	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	30,562	27,221	108,119	24,823
Other regions in the PRC	96,377	383,036	9,257	36,499
	126,939	410,257	117,376	61,322
Unallocated other operating income			3	1,039
Unallocated corporate expenses			(12,566)	(13,175)
Profit from operations			104,813	49,186

The following is an analysis of the carrying amount of segment assets and properties held for development, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Carrying amount of properties held for development		Additions to property, plant and equipment	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	507,203	430,849	—	—	24	46
PRC	807,029	739,300	219,848	200,195	697	686
	1,314,232	1,170,149	219,848	200,195	721	732
Unallocated assets	14,949	7,727				
	1,329,181	1,177,876				

5. Other operating income

	2005	2004
	HK$'000	*HK$'000*
Bank interest income	1,366	1,079
Bad debt recovered	—	1,027
Gain on disposal of property, plant and equipment	—	32
Sundry income	3,144	897
	4,510	3,035

6. Profit from operations

	2005	2004
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging:		
Allowance for doubtful debts	653	3,790
Amortisation of goodwill (included in administrative expenses)	161	1,141
Auditors' remuneration	589	681
Depreciation	1,608	1,594
Less: Amount capitalised and included in properties under development	(15)	(17)
	1,593	1,577
Loss on disposal of property, plant and equipment	166	—
Operating lease rentals in respect of office premises and staff quarters	675	592
Staff costs (including directors' remuneration shown in note 8(a))	19,630	22,761
Less: Amount capitalised and included in properties under development	(1,681)	(2,193)
	17,949	20,568
Land appreciation tax (including in cost of sales)	1,568	1,884
and after crediting:		
Net operating lease rentals received and receivable		
Gross rents from properties	33,655	28,532
Less: Outgoings	(2,011)	(2,680)
	31,644	25,852

Operating lease rentals in respect of Directors' accommodation amounting to HK$420,000 (2004: HK$420,000) are included in directors' other emoluments.

7. Finance costs

	2005	2004
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	3,541	4,588
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of 5.2% (2004: 4%) to expenditure on qualifying assets	(2,758)	(2,622)
Interest on loan from a related company wholly repayable within five years	3,851	2,352
Less: Amount capitalised and included in properties held for development	(3,851)	(2,352)
	783	1,966

8. **Directors' and employees' emoluments**

(a) *Directors' emoluments*

	2005 *HK$'000*	**2004** *HK$'000*
Directors' fees		
Executive Directors	—	—
Independent Non-Executive Directors	100	60
Other emoluments (Executive Directors):		
Salaries and other benefits	1,154	1,147
Retirement benefits scheme contributions	—	—
	1,254	1,207

The emoluments paid or payable to each of the 3 (2004: 2) Directors were as follows:

	Pang Kit Man, John *HK$'000*	**Chong Kim Chan, Kenneth** *HK$'000*	**Mak Kai Wing, Alexander** *HK$'000*	**Total 2005** *HK$'000*
Fees	—	60	40	100
Other emoluments				
Salaries and other benefits	1,154	—	—	1,154
Contributions to retirement benefits schemes	—	—	—	—
Total emoluments	1,154	60	40	1,254

	Pang Kit Man, John *HK$'000*	**Chong Kim Chan, Kenneth** *HK$'000*	**Total 2004** *HK$'000*
Fees	—	60	60
Other emoluments			
Salaries and other benefits	1,147	—	1,147
Contributions to retirement benefits schemes	—	—	—
Total emoluments	1,147	60	1,207

No emoluments were paid to other directors.

(b) *Employees' emoluments*

The five highest paid individuals included one Director (2004: one Director), details of whose emoluments are set out in note 8(a) above. The emoluments of the remaining four individuals (2004: four individuals) are as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Salaries and other benefits	3,622	3,487
Retirement benefits scheme contributions	109	106
	3,731	3,593

Their emoluments are within the following bands:

	2005	**2004**
	No. of employees	*No. of employees*
Nil to HK$1,000,000	3	3
HK$1,000,001 to HK$1,500,000	1	1

9. Taxation

	2005	**2004**
	HK$'000	HK$'000
The tax charge comprises:		
Hong Kong Profits Tax		
Current year	83	31
Overprovision in prior years	(3)	—
PRC Income Tax		
Current year	2,941	10,835
Overprovision in prior years	(3,686)	(4,062)
Deferred Tax		
Current year *(note 31)*	11,658	2,205
	10,993	9,009

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year.

PRC Foreign Enterprise Income Tax is calculated at the rates prevailing in the PRC. Pursuant to relevant laws and regulations in the PRC, the subsidiary of the Group that is qualified as productive foreign investment enterprises established in cities within the coastal economic zones and special economic zones are entitled to PRC enterprise income tax at concessionary rate at 15%.

Details of the deferred taxation are set out in note 31.

The tax charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	Hong Kong		Elsewhere in the PRC		Total	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit before taxation	95,203	10,209	10,467	37,011	105,670	47,220
Application tax rate	17.5%	17.5%	33%	33%		
Tax at the domestic income tax rate	16,660	1,787	3,454	12,213	20,114	14,000
Tax effect of expenses not deductible for tax purpose	297	537	439	40	736	577
Tax effect of income not taxable for tax purpose	(5,330)	(195)	(4)	(1,281)	(5,334)	(1,476)
Tax effect of tax losses not recognised	130	129	—	—	130	129
Overprovision in prior years	(3)	—	(3,686)	(4,062)	(3,689)	(4,062)
Utilisation of deferred tax assets previously not recognised	(16)	—	—	—	(16)	—
Effect on tax exemptions granted to PRC subsidiary	—	—	(949)	(137)	(949)	(137)
Others	1	(22)	—	—	1	(22)
Tax effect of the year	11,739	2,236	(746)	6,773	10,993	9,009

10. Dividends

	2005	**2004**
	HK$'000	HK$'000
Interim dividend paid in respect of year ended 30th June, 2005 of 2 Hong Kong cents (2004: 2 Hong Kong cents) per share	4,382	4,382
Final dividend paid in respect of year ended 30th June, 2004 of 2 Hong Kong cents (2003: 2 Hong Kong cents) per share	4,382	4,382
	8,764	8,764

The final dividend in respect of 2 Hong Kong cents per share for the year ended 30th June, 2005 has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

11. Basic earnings per share

The calculation of basic earnings per share is based on net profit of HK$92,135,000 (2004: HK$35,455,000) for the year and on 219,103,681 (2004: 219,103,681) ordinary shares in issue throughout the year.

12. Property, plant and equipment

	Motor vehicles	Plant and machinery, equipment and others	Total
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
COST			
At 1st July, 2004	6,432	28,962	35,394
Additions	—	721	721
Transferred from properties under development	—	277	277
Disposals	(484)	(2,276)	(2,760)
At 30th June, 2005	5,948	27,684	33,632
DEPRECIATION			
At 1st July, 2004	5,672	16,181	21,853
Provided for the year	87	1,506	1,593
Eliminated on disposals	(435)	(1,854)	(2,289)
At 30th June, 2005	5,324	15,833	21,157
NET BOOK VALUES			
At 30th June, 2005	624	11,851	12,475
At 30th June, 2004	760	12,781	13,541

13. Investment properties

	THE GROUP
	HK$'000
VALUATION	
At 1st July, 2004	420,000
Revaluation increase on investment properties	80,000
At 30th June, 2005	500,000

The investment properties of the Group are situated in Hong Kong and are held under medium-term leases. They were revalued at 30th June, 2005 on a market value on existing state basis by an independent valuer, Knight Frank Hong Kong Limited, Chartered Surveyors at an aggregate value of HK$500,000,000. The surplus arising on revaluation amounted to HK$80,000,000 has been credited to the consolidated income statement. The investment properties are rented out under operating leases.

14. Properties held for development

The properties held for development of the Group are situated in Shenzhen, the PRC with a land use right of up to 70 years commencing on 18th November, 1999. In December 2003, the Group paid the outstanding balance of land premium to the Shenzhen Land Administration Bureau. The Group is in the process of obtaining the land use right certificate for the long-term leasehold land.

	THE GROUP	
	2005	**2004**
	HK\$'000	*HK\$'000*
COST		
At beginning of the year	200,195	—
Additions	1,712	197,843
Interest capitalised	3,851	2,352
Transferred from properties under development	14,090	—
At end of the year	219,848	200,195

At 30th June, 2005, included in the properties held for development is an amount of HK\$6,203,000 (2004: HK\$2,352,000) being interest capitalised in the account.

15. Goodwill

	THE GROUP
	HK\$'000
COST	
At 1st July, 2004 and 30th June, 2005	13,704
AMORTISATION	
At 1st July, 2004	13,543
Provided for the year	161
At 30th June, 2005	13,704
NET BOOK VALUES	
At 30th June, 2005	—
At 30th June, 2004	161

Goodwill is amortised using the straight line method over ten years.

16. Interests in subsidiaries

	THE COMPANY	
	2005	**2004**
	HK\$'000	*HK\$'000*
Unlisted shares, at cost	239,663	239,663
Less: Impairment loss recognised	(239,663)	(239,663)
	—	—
Amounts due from subsidiaries	807,590	813,338
Less: Allowance for amounts due from subsidiaries	(141,257)	(144,361)
	666,333	668,977

Particulars of the principal subsidiaries are set out in note 40.

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. Repayment of the amounts will not be demanded within next twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

17. Loan to a subsidiary

The loan is unsecured at an annual interest rate of London Interbank Offered Rate ("LIBOR") plus 2.125%. The loan originally had a term of two years from the date of loan agreement on 29th December, 2003 which has been extended for a term of two years pursuant to a supplemental agreement dated 12th October, 2005.

18. Investments in securities

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Investments securities:		
Unlisted equity shares, at cost	334	334
Less: Impairment loss recognised	(334)	(334)
	—	—

19. Loan receivables

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Loan receivables are repayable as follows:		
Within one year or on demand	8,167	10,550
More than one year	7,147	14,729
	15,314	25,279
Less: Amount receivables within one year shown under current assets	(8,167)	(10,550)
Amount due after one year	7,147	14,729

The loans are secured by the home buyers' properties, interest free and are repayable by 36 instalments.

20. Properties under development

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
COST		
At beginning of the year	138,079	446,706
Additions	142,176	63,020
Interest capitalised	2,758	2,622
	283,013	512,348
Less: Completed and transferred to properties held for sale	(19,872)	(368,295)
Transferred to properties held for development	(14,090)	—
Transferred to property, plant and equipment	(277)	(5,974)
At end of the year	248,774	138,079

The properties under development are situated in Beijing, the PRC with a land use right of up to 70 years commencing on 19th October, 1995.

At 30th June, 2005, included in the properties under development is an amount of HK$17,648,000 (2004: HK$14,890,000) being interest capitalised in the account.

21. Properties held for sale

The properties held for sale of the Group are situated in the PRC, held under long lease and are stated at cost.

22. Trade and other receivables

At 30th June, 2005, the balance of trade and other receivables included trade receivables of HK$1,413,000 (2004: HK$4,110,000) and home loans of HK$21,626,000 (2004: HK$15,156,000). For property sales, other than home loans disclosed in note 19, the Group allows an average credit period of 30 days to its customers. Rentals receivable from tenants and service income receivables from customers are payable on presentation of invoices. The aged analysis of trade receivables is as follows:

	2005	**2004**
	HK$'000	*HK$'000*
0–60 days	1,268	3,020
61–90 days	79	18
Over 90 days	66	1,072
	1,413	4,110

23. Amounts due from minority shareholders

The amounts are unsecured, interest-free and repayable on demand.

24. Trade and other payables

At 30th June, 2005, the balance of trade and other payables included trade payables of HK$59,090,000 (2004: HK$32,972,000). The aged analysis of trade payables is as follows:

	2005	2004
	HK$'000	*HK$'000*
0–60 days	35,929	17,733
61–90 days	10,350	—
Over 90 days	12,811	15,239
	59,090	32,972

25. Bank loans

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
The bank loans are repayable as follows:		
Within one year or on demand	99,674	24,937
More than one year, but not exceeding two years	22,000	140,636
More than two years, but not exceeding five years	101,500	—
	223,174	165,573
Less: Amount repayable within one year shown under current liabilities	(99,674)	(24,937)
Amount due after one year	123,500	140,636
Secured	209,538	158,300
Unsecured	13,636	7,273
	223,174	165,573

The loans bear average interest rate of about 0.48% to 1.5% over Hong Kong Interbank Offered Rate per annum and are repayable either in instalments or in one lump sum within five years.

26. Share capital

	Number of shares		Amount	
	2005	2004	2005	2004
			HK$'000	*HK$'000*
Ordinary shares of HK$1.00 each				
Authorised	300,000,000	300,000,000	300,000	300,000
Issued	219,103,681	219,103,681	219,104	219,104

27. Reserves

Details of the movements in the reserves of the Group are set out in the Consolidated Statement of Changes in Equity on page 19.

The special reserve of the Group arose from the difference between the aggregate amount of the then share capital, share premium, general reserve and retained profits of the Group, and the nominal amount of the Company's shares issued for the acquisition.

The statutory reserves transferred from retained profits are required by the relevant PRC laws and regulations applicable to the Company's PRC subsidiaries.

	Share premium	Capital redemption reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY				
At 1st July, 2003	426,608	1,644	31,956	460,208
Net loss for the year	—	—	(3,829)	(3,829)
Cash dividends	—	—	(8,764)	(8,764)
At 30th June, 2004	426,608	1,644	19,363	447,615
Net profit for the year	—	—	2,375	2,375
Cash dividends	—	—	(8,764)	(8,764)
At 30th June, 2005	426,608	1,644	12,974	441,226

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 30th June, 2005 amounted to HK$12,974,000 (2004: HK$19,363,000).

28. Other payable

The amount is unsecured, non-interest bearing and has no fixed terms of repayment. Repayment of the amount will not be demanded within next twelve months from the balance sheet date. Accordingly, the amount is shown as non-current.

29. Amounts due to subsidiaries

The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. Repayment of the amounts will not be demanded within next twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

30. Loan from a related company

On 29th December, 2003, a loan agreement was entered into between the Company as borrower and Speedy Return Investments Limited ("Lender") as lender, which was a company beneficially, indirectly and wholly owned by Mr. Chua Domingo, the Chairman and controlling shareholder of the Company. Pursuant to such loan agreement, the Lender agreed to grant to the Company an unsecured revolving credit facility in the maximum amount of US$23,000,000 to finance general working capital of the Company and its subsidiaries including payment of partial land premium as regards a piece of land situated at Tung Kok Tau in Shenzhen. The loan was unsecured at the annual interest rate of LIBOR plus 2.125%, for a term of two years from the date of loan agreement, which was better than the normal commercial terms of those loans which the Company and/or its subsidiaries had or could be granted by other financial institution(s) or third party(ies) in the ordinary and usual course of business. Such loan has been extended for a term of two years pursuant to a supplemental agreement dated 12th October, 2005. As at the balance sheet date, the drawn loan amounted to US$8,830,000 (2004: US$13,153,000) and interest outstanding thereon amounted to US$1,000 (2004: US$1,000).

31. Deferred tax liabilities

The major deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting periods are as follows:

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
At 1st July, 2003	16,156	(10,406)	5,750
Charge to income statement	1,709	496	2,205
At 30th June, 2004	17,865	(9,910)	7,955
Charge to income statement	10,623	1,035	11,658
At 30th June, 2005	28,488	(8,875)	19,613

At 30th June, 2005, the Group has unused tax losses of HK$17,984,000 (2004: HK$17,241,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

No provision for deferred taxation has been recognised for the Company in the financial statements as the amount involved is insignificant.

32. Contingent liabilities

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guarantees given to financial institutions in respect of banking facilities granted to subsidiaries	—	—	334,674	175,073

The extent of such facilities utilised and unutilised by the subsidiaries at 30th June, 2005 amounted to approximately HK$223,174,000 (2004: HK$165,573,000) and HK$111,500,000 (2004: HK$9,500,000), respectively.

In addition, the Group and the Company have given guarantees in respect of the settlement of mortgage loans provided by banks to the home buyers of a property project in the PRC. At 30th June, 2005, the Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of HK$643,533,000 (2004: HK$704,060,000) and HK$38,858,000 (2004: HK$39,000,000), respectively.

A subsidiary has been named as a defendant in a High Court action in respect of an alleged breach of contractual undertakings. The plaintiff is claiming for an amount of HK$14,879,000 (2004: HK$14,879,000). The subsidiary and its legal counsel are strongly resisting this claim and a counterclaim has been lodged against the plaintiff for, inter alia, damages in an amount of about HK$49,309,000 (2004: HK$49,309,000) (subject to the Court's assessment). In the opinion of the directors, the outcome of this case would not have a material adverse impact on the financial position of the Group, accordingly, no provision for any potential liability has been made in the financial statements.

33. Capital commitments

	THE GROUP	
	2005	2004
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements for the construction and other fees to be paid in respect of properties held for development	181	—

The Company did not have any significant capital commitments at the balance sheet date.

34. Lease commitments

The Group as lessee:

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Within one year	1,188	541
In the second to fifth year, inclusive	487	23
	1,675	564

Leases are negotiated for an average term of two years and rentals are fixed over the period of the leases.

The Company did not have any operating lease commitments at the balance sheet date.

The Group as lessor:

At the balance sheet date, the following assets were rented out under operating leases:

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Investment properties	500,000	420,000
Properties held for sale	13,166	7,813

These assets were leased out for periods of one to three years with renewal options given to the lessees for further periods not exceeding two years.

As at the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	THE GROUP	
	2005	**2004**
	HK$'000	*HK$'000*
Within one year	39,795	21,277
In the second to fifth year inclusive	13,522	12,564
	53,317	33,841

35. Share option scheme

The Company adopted a share option scheme on 21st December, 2001 (the "Share Option Scheme").

The Share Option Scheme was adopted for the purpose of providing incentives to directors, employees and eligible participants and will expire on 20th December, 2011. Under the Share Option Scheme, the board of directors of the Company may grant options to executive directors, employees of the Company and its subsidiaries and such eligible participants at the discretion of the board of directors of the Company pursuant to the terms of the Share Option Scheme, to subscribe for shares of the Company at a price per share not less than the highest of i) the closing price of a share of the Company listed on the Stock Exchange at the date of grant of the option; ii) the average of the closing price of a share of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and iii) the nominal value of a share of the Company. The maximum number of shares in respect of which options shall be granted under the Share Option Scheme shall not exceed 10% in aggregate of the issued share capital of the Company at the date of its adoption. No director, employee or eligible participant may be granted options under the Share Option Scheme which will enable him or her if exercise in full to subscribe for exceeding 1% of the issued share capital of the Company in any 12-month period. The option period for which the options granted can be exercisable, shall be such period as notified by the board of directors of the Company, save that it shall not be more than 10 years from the date of grant subject to the terms of the Share Option Scheme. Nominal consideration of HK$1 is payable on acceptance of each grant.

No share option was granted to or exercised by any of the Company's and its subsidiaries' directors, employees and such eligible participants under the Share Option Scheme since its adoption, and there were no share options outstanding as at 30th June, 2005, 30th June, 2004 and 1st July, 2003.

36. Retirement benefit scheme

(a) Prior to 1st December, 2000, the Group operated a defined contribution retirement benefit scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

With effective from 1st December, 2000, the Group has set up a mandatory provident fund scheme ("MPF Scheme"). Members of the Defined Contribution Scheme were given one-time option to choose to transfer to the MPF Scheme or remain in the existing scheme. While new eligible employees can choose between the Defined Contribution Scheme and MPF Scheme. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. No forfeited contributions are available to reduce the contribution payable in the future years by the employer.

The retirement benefit scheme contributions arising from the Defined Contribution Scheme and the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

During the year, retirement benefits contributions charged to the income statement are HK$211,000 (2004: HK$206,000).

At 30th June, 2005, there are forfeited contributions of HK$2,500 (2004: HK$3,000) which arose upon employees leaving the Defined Contribution Scheme and which are available to reduce the contributions payable by the Group under Defined Contribution Scheme in the future years.

(b) According to the relevant laws and regulations in the PRC, the PRC subsidiaries are required to contribute 19% and 13% of the stipulated salary set by the Beijing and Shenzhen local governments, respectively, to the retirement benefits schemes to fund the retirement benefits of their employees.

During the year, the retirement benefits contributions charged to the income statement are HK$648,000 (2004: HK$568,000).

37. Pledge of assets

At 30th June, 2005, the Group has pledged its investment properties with an aggregate carrying value of HK$500,000,000 (2004: HK$420,000,000) and an assignment of rental and sale proceeds from the investment properties to the bank to secure general banking facilities granted to the Group. The Group has also pledged its bank deposits of HK$27,964,000 (2004: HK$21,488,000) to banks to secure mortgage bank loans granted to the home buyers.

38. Post balance sheet event

Subsequent to the balance sheet date, one of Company's subsidiaries entered into an agreement with an independent third party (the "Purchaser") on 4th October, 2005 for the disposal of its investment properties for a cash consideration of HK$650,000,000. In addition, such subsidiary shall pay to the Purchaser a rental guarantee payment in a lump sum of HK$18,000,000 upon completion of the disposal. Completion of the disposal is subject to only one condition of the due compliance of all requirements which the Company or such subsidiary is required to comply with under the Rules Governing the Listing of Securities on the Stock Exchange in connection with the disposal. Subject to the right of extension available to the Purchaser, completion of the disposal is expected to take place on or before 23rd December, 2005. Details of this transaction were disclosed in the Company's announcement dated 4th October, 2005.

39. Related party transactions

Other than those disclosed in note 30 to the financial statements, during the year, the Group has entered into the following transactions with related companies:

	2005	**2004**
	HK$'000	*HK$'000*
Rental income received *(note 1)*	148	146
Rental and management fees paid *(note 1)*	1,386	1,386
Consultancy service fees paid *(note 1)*	1,000	1,000
Finance costs and charges paid	3,968	2,822

The outstanding balances with these related companies and minority shareholders at 30th June, 2005 are as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Amounts due from related companies included in trade and other receivables *(note 2)*	1,751	1,951
Amounts due from minority shareholders *(note 2)*	5,034	4,922
Amounts due to related companies included in trade and other payables *(note 2)*	537	652

Notes:

1. The transactions were carried out based on the contractual agreements made between both parties and were at market price.

2. The amounts are unsecured, interest free and repayable on demand.

The related companies are companies in which certain Directors have common directorship.

40. Particulars of principal subsidiaries

Particulars of principal subsidiaries at 30th June, 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and paid up share capital/registered capital Ordinary	Others	Proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Ardent Enterprises Limited	Hong Kong	HK$1,200	—	100%	Investment holding
Beijing Longfast Property Development Co., Ltd.	PRC *(Note 6)*	—	US$29,500,000 *(Note 1)*	98%	Property investment and development
Billion Stock Investment Limited	Hong Kong	HK$2	—	100%	Provision of nominee services
Broad Capital Investments Limited	British Virgin Islands	US$1	—	100%	Investment holding
China Gain Properties Limited	Hong Kong	HK$2	—	100%	Property investment
Dynamic (B.V.I.) Limited	British Virgin Islands	US$50,000	—	100%	Investment holding
Dynamic Finance Limited	Hong Kong	HK$10,000	—	100%	Financing
Dynamic Management (Beijing) Limited	British Virgin Islands	HK$7	—	100%	Financing
Dynamic Management Services Limited	Hong Kong	HK$2	—	100%	Provision of management services
Dynamic (Nominees) Limited	Hong Kong	HK$2	—	100%	Provision of management services
Dynamic Real Estate (China) Management Consultancy Limited	British Virgin Islands	US$1	—	100%	Management consultancy
Glory Diamond Inc.	British Virgin Islands	US$10	—	100%	Investment holding
Harvic Investment Limited	Hong Kong	HK$2	—	100%	Investment holding
Pearlway Investments Limited	British Virgin Islands	US$1	—	100%	Investment holding
Shenzhen Zhen Wah Harbour Enterprises Ltd.	PRC *(Note 7)*	—	RMB53,550,000	80% *(Note 2)*	Port operations
Strong Way Investment Limited	Hong Kong	HK$10,000	—	100%	Investment holding
Yonderille Developments Limited	Hong Kong	HK$40,000	—	100%	Property investment

Notes:

1. Beijing Longfast Property Development Co., Ltd. ("Beijing Longfast") had a registered capital of US$30,000,000. The amount of US$29,500,000 disclosed above represents capital paid by the Group up to 30th June, 2005. However, the Group's entitlement to share the profit in Beijing Longfast was agreed to be at 95%.

2. The Group is in dispute with the Chinese joint venture partner as to the percentages of equity interest held by two parties in Zhen Wah. The Group has been negotiating with the Chinese joint venture partner to resolve the dispute and to acquire all the equity interest held by the Chinese joint venture partner on real estates development in Tung Kok Tau. Based on the opinion of a PRC lawyer, the 80% equity interest owned by the Group in Zhen Wah is valid and legally enforceable. The Group resorts to settle the difference between the parties by means of negotiations and mutual agreement so as not to go for arbitration, which is considered as the last resort.

3. Other than Dynamic (B.V.I.) Limited and Glory Diamond Inc., which are wholly-owned directly by the Company, all subsidiaries are held by the Company indirectly.

4. The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

5. None of the subsidiaries had issued any debt securities at the end of the year, or at any time during the year.

6. The subsidiary established in the PRC is registered as sino-foreign co-operative joint venture.

7. The subsidiary established in the PRC is registered as sino-foreign equity joint venture.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 31st August, 2005, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$296.5 million. The borrowings comprised secured bank loans of approximately HK$217.3 million, unsecured bank loans of approximately HK$10.6 million and other unsecured borrowings of approximately HK$68.6 million. The Group's current banking facilities are secured by legal charges on the Cargo Centre and the commercial floor area of phase III of Chaoyang Garden, Beijing. The Group had its bank deposits of HK$28.4 million pledged to banks to secure mortgage bank loans granted to home buyers of a property project in the Mainland China.

As at the close of business on 31st August, 2005, the Group had total contingent liabilities of approximately HK$672.4 million. This comprised guarantees in respect of the settlement of mortgage loans provided by banks to the home buyers of a property project in the Mainland China in the amount of approximately HK$657.5 million and a claim against a subsidiary of the Group in the amount of approximately HK$14.9 million, details of which have been set out in the paragraph headed "Litigation" in Appendix V to this circular.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding, and authorized or otherwise created but unissued, outstanding term loans, mortgages and charges, bank overdrafts and liabilities under acceptances or acceptance credits or hire purchase commitments or other borrowings or indebtedness in the nature of borrowing, or any guarantees or other contingent liabilities as at the close of business on 31st August, 2005.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated in Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 31st August, 2005.

The Directors have confirmed that there has been no material change in the indebtedness or contingent liabilities of the Group since 31st August, 2005.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account the internal resources of the Group, the expected cash flows arising from the Disposal and the present available banking facilities, the Group will, immediately following the completion of the Disposal, have sufficient working capital to satisfy its present requirements for the period ending 12 months from the date of this circular.

5. MATERIAL CHANGES

Subsequent to the last published audited accounts of the Company (which was contained in the annual report of the Company for the year ended 30th June, 2005), the Directors are not aware of any material changes in the financial or trading position or prospects of the Group.

1. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT

The accompanying unaudited pro forma financial information of the Group, as defined below, has been prepared to illustrate the effect of the Disposal to the financial position and results based on the audited financial information of the Group for the year ended 30th June, 2005 after making certain pro forma adjustments in respect of the Disposal.

The unaudited pro forma consolidated balance sheet is prepared on the basis as if the Disposal had been completed on 30th June, 2005.

The unaudited pro forma consolidated income statement is prepared on the basis as if the Disposal had been completed on 1st July, 2004.

The unaudited pro forma financial information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group following the Disposal and the results for the period presented or for any future period.

Unaudited pro forma consolidated balance sheet

	Consolidated balance sheet of the Group as at 30th June, 2005	**Adjustments for the Disposal**	**Adjustments for the taxation effect on the Disposal**	**Unaudited pro forma consolidated balance sheet after the Disposal**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*	
Non-current Assets				
Property, plant and equipment	12,475			12,475
Investment properties	500,000	(500,000)		—
Properties held for development	219,848			219,848
Loan receivables — due after one year	7,147			7,147
	739,470			239,470
Current Assets				
Properties under development	248,774			248,774
Properties held for sale	150,088			150,088
Loan receivables — due within one year	8,167			8,167
Trade and other receivables	32,961			32,961
Amounts due from minority shareholders	5,035			5,035
Tax recoverable	14,949			14,949
Bank deposits — pledged	27,964			27,964
Bank balances and cash	101,773	473,500		575,273
	589,711			1,063,211

Unaudited pro forma consolidated balance sheet (continued)

	Consolidated balance sheet of the Group as at 30th June, 2005	Adjustments for the Disposal	Adjustments for the taxation effect on the Disposal	Unaudited pro forma consolidated balance sheet after the Disposal
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*	
Current Liabilities				
Trade and other payables	118,346			118,346
Pre-sale deposits received	37,033			37,033
Tax liabilities	83		21,771	21,854
Bank loans — due within one year	99,674	(28,000)		71,674
	255,136			248,907
Net Current Assets	334,575			814,304
Total Assets less Current Liabilities	1,074,045			1,053,774
Capital and Reserves				
Share capital	219,104			219,104
Reserves	612,027	125,000	(2,158)	734,869
	831,131			953,973
Minority interests	30,688			30,688
Non-current Liabilities				
Bank loans — due after one year	123,500	(123,500)		—
Other payable — due after one year	493			493
Loan from a related company	68,620			68,620
Deferred tax liabilities	19,613		(19,613)	—
	212,226			69,113
	1,074,045			1,053,774

Notes:

1. Being adjustments to account for the effect on the Disposal, taking into account the cash consideration of HK$650 million, the lump sum of HK$18 million payable to the Purchaser as rental guarantee and the agent's commission of approximately HK$7 million and the effect on the application of the estimated net proceeds from the Disposal to discharge mortgage loans over the Cargo Centre of approximately HK$151.5 million (the principal amount outstanding as at the Latest Practicable Date) as a result of the completion of the Disposal as of 30th June, 2005.

2. Being adjustments to account for the current and deferred taxation effect on the Disposal as a result of the completion of Disposal as of 30th June, 2005.

Unaudited pro forma consolidated income statement

	Consolidated income statement of the Company for the year ended 30th June, 2005	Adjustments for the exclusion of results of the Cargo Centre	Adjustment for the gain on the Disposal	Adjustment for the taxation effect on the Disposal	Unaudited pro forma consolidated income statement after the Disposal
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*	*(Note 3)*	
Turnover	126,939	(30,562)			96,377
Cost of sales	(80,153)				(80,153)
Gross profit	46,786				16,224
Other operating income	4,510				4,510
Revaluation increase on investment properties	80,000	(80,000)			—
Administrative expenses	(26,483)	1,726			(24,757)
Finance costs	(783)	783			—
Gain on disposal of investment properties	—		205,000		205,000
Gain on dissolution of a subsidiary	1,640				1,640
Profit before taxation	105,760				202,617
Taxation	(10,993)	11,658		(11,094)	(10,429)
Profit for the year	94,677				192,188
Minority interests	(2,542)				(2,542)
Net profit for the year	92,135				189,646

Notes:

1. Being adjustments to exclude the rental income, revaluation increase on investment properties, administrative expenses, finance costs and taxation of the Cargo Centre as a result of the completion of the Disposal as of 1st July, 2004.

2. Being adjustment to account for the effect of the gain on the Disposal, taking into account the cash consideration of HK$650 million, the lump sum of HK$18 million payable to the Purchaser as rental guarantee and the agent's commission of approximately HK$7 million and a carrying value of the Cargo Centre of HK$420 million as extracted from the Company's annual report for the year ended 30th June, 2004 as a result of the completion of the Disposal as of 1st July, 2004.

3. Being adjustment to account for the taxation effect on the Disposal as a result of the completion of the Disposal as of 1st July, 2004.

2. COMFORT LETTER FROM THE AUDITORS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report received from the auditors, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong for the purpose of incorporation in this circular. As there is no specific guidance on the reporting on pro forma financial information under the Auditing Guidelines issued by the Hong Kong Institute of Certified Public Accountants, this report is prepared in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the listing rules" issued by the Auditing Practices Board in the United Kingdom.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F Wing On Centre
111 Connaught Road Central
Hong Kong

31st October, 2005

The Directors
Dynamic Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Dynamic Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 44 to 46 under the heading "Information Relating to the Remaining Group" of Appendix III to the circular of the Company dated 31st October, 2005 (the "Circular"), in connection with the disposal of the Cargo Centre (the "Disposal"). The unaudited pro forma consolidated balance sheet and consolidated income statement have been prepared, for illustrative purposes only, to provide information about how the Disposal might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the listing rules" issued by the Auditing Practices Board in the United Kingdom. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

Our work does not constitute an audit or a review in accordance with Hong Kong Standards of Auditing, Hong Kong Standards of Review Engagement or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared on the basis set out on pages 44 to 46 of the Circular for illustrative purpose only and, because of its nature, it may not be indicative of:

- the financial position of the Group had the Disposal completed as at 30th June, 2005, or any future date; and
- the financial results of the Group for the year ended 30th June, 2005 or for any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

3. MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

Business Review

For the year ended 30th June, 2003

For the year ended 30th June, 2003, the turnover of the Remaining Group amounted to approximately HK$267.9 million representing a sharp increase of about 1,141% over that of the year ended 30th June, 2002. It was principally resulted from the booking of sales revenue (by approximately HK$236 million) of the first two towers of Phase II of Chaoyang Garden (The Sun Crest) in Beijing ("Phase II"), following the issue of occupation permit in November 2002. The sales proceeds of Chaoyang Garden represented about 94% of the turnover of the Remaining Group.

Chaoyang Garden

For the year ended 30th June, 2003, the Remaining Group realised a total sum of approximately HK$252 million, from property sales of Chaoyang Garden principally arising from the first two towers of Phase II completed and delivered in November 2002. As at 30th June, 2003, about 70% of these two towers had been sold out.

The last two towers of Phase II had been put up for pre-sale in October 2002. These two towers were completed on schedule and were delivered to buyers. As at 30th June, 2003, about 50% of these two towers had already been taken up.

The development plans of Phase III of Chaoyang Garden ("Phase III"), a single residential/commercial complex (the final phase) was completed and officially approved, and foundation works thereof commenced in September 2003.

Tung Kok Tau

During the year ended 30th June, 2003, the port operations in Tung Kok Tau continued to make steady contributions to the Remaining Group's operating profits.

Negotiations with the Chinese joint venture partner over the differences on the overall control of the Remaining Group on the re-development of the site were continuing.

For the year ended 30th June, 2004

For the year ended 30th June, 2004, the turnover of the Remaining Group amounted to approximately HK$383 million representing a rise of about 43% over that of the year ended 30th June, 2003, which primarily resulted from the booking of sales proceeds (by about HK$289.3 million) of the last two towers of Phase II following the issue of occupation permit in October 2003. Sales revenue of Chaoyang Garden accounted for about 95% of the turnover of the Remaining Group.

Chaoyang Garden

For the year ended 30th June, 2004, home sales in Beijing regained its momentum as a result of post-SARS economic revival in the latter part of 2003. Total property sale for the year amounted to approximately HK$365.2 million. However, an over-supply situation in the high-end residential sector in Beijing continued to exert pressure on price and profit.

Construction work of Phase III, a multi-purpose residential/commercial complex, commenced in September 2003. Pre-sale of this phase had been planned to be commenced in the first quarter of 2005. The entire development had been scheduled to be completed by the end of 2005.

Tung Kok Tau

For the year ended 30th June, 2004, the operating income and profit of the port operations in Tung Kok Tau increased by about 15% and 17% respectively.

In December 2003, the Remaining Group paid the balance of land premium of about RMB156 million to secure an area of 171,788 square meters comprising the "red-line" zone of the Tung Kok Tau site having a total re-developable gross floor area of 310,400 square meters. This payment was made necessary by the Central Government implementing strict policy of repossession of all unpaid lands and was funded ultimately by the controlling shareholder of the Company.

Negotiations with the Chinese joint venture partner on the proposed acquisition by the Remaining Group of full control over the re-development project were on-going. However some further delays have become unavoidable due to, on one hand, new city planning proposals affecting the site, and on the other hand to the recent corporate restructuring of the Chinese joint venture partner and its controlling organization.

For the year ended 30th June, 2005

For the year ended 30th June, 2005, the turnover of the Remaining Group amounted to approximately HK$96.4 million, compared to HK$383 million for the year ended 30th June, 2004. This decrease was attributable to the fall of revenue (by approximately HK$288.7 million) from property sales of Chaoyang Garden in Beijing, as most of residential units in its first and second phases have been sold and the results thereof have been accounted for in previous financial years.

Chaoyang Garden

For the year ended 30th June, 2005, sales proceeds of residential units in Beijing were approximately HK$76.5 million, the majority of which represent proceeds from the remaining units of Phase II.

Construction of Phase III comprising a four-storey shopping mall and a twenty-six-storey tower of commercial apartments was on schedule. Despite that drastic measures were taken by the Central Government to dampen property speculation recently, about 40% of Phase III had been pre-sold. The result of these transactions would be reflected upon the issuance of occupation permit.

Tung Kok Tau

For the year ended 30th June, 2005, port operation showed a continued turnover growth of about 12% with operating profit therefrom recording a substantial increase of approximately 103% as against the operating profit of the year ended 30th June, 2004.

Liquidity and financial resources

As at 30th June, 2005 and assuming that the mortgage loans over the Cargo Centre of approximately HK$151.5 million has been discharged as a result of the completion of the Disposal as of 30th June, 2005, the net assets value of the Remaining Group amounted to approximately HK$482.6 million, the total cash and bank balances of the Remaining Group amounted to approximately HK$129.7 million, total borrowings of the Remaining Group which were in Renminbi, USD and HK$ amounted to approximately HK$140.3 million (comprising bank loans of approximately HK$71.7 million and loan from a related company of approximately HK$68.6 million which loans bear average interest rate of about 2.7% to 6.1% per annum and are repayable either in instalments or in a lump sum within 3 years) and the gearing ratio of the Remaining Group, calculated as total borrowings over net assets amounted to approximately 29%.

The Remaining Group's bank balances and cash were denominated primarily in Renminbi. The Directors consider that the Remaining Group's exposure to the exchange rate risk is not material due to the currency peg of HK$ with USD.

Capital Structure

As at 30th June, 2005, there was no change in the issued share capital of the Company.

Significant investment

There was no other significant investment held by the Remaining Group during the year ended 30th June, 2005.

Material acquisitions and disposals of subsidiaries and associated companies

There were no material acquisitions and disposals of subsidiaries and associated companies by the Remaining Group during the year ended 30th June, 2005.

Employee information

As at 30th June, 2005, the Remaining Group had about 160 employees in Hong Kong and the Mainland China at prevailing market remunerations with employee benefits such as medical insurance, provident fund schemes and share option scheme.

Charges on Group assets

As at 30th June, 2005 and assuming that the mortgage loans over the Cargo Centre of approximately HK$151.5 million has been discharged as a result of completion of the Disposal as of 30th June, 2005, the Remaining Group had its bank deposits of approximately HK$28 million pledged to banks to secure mortgage loans granted to home buyers of Chaoyang Garden. The Group's current banking facilities are secured by the commercial floor area of Phase III.

Contingent liabilities

As at 30th June, 2005 and assuming that the mortgage loans over the Cargo Centre of approximately HK$151.5 million have been discharged as a result of completion of the Disposal as of 30th June 2005, the Remaining Group had contingent liabilities for guarantees given to financial institutions in respect of banking facilities granted to the Remaining Group amounted to approximately HK$79.7 million. In addition, the Remaining Group had given guarantees in respect of mortgage loans provided by banks to home buyers of Chaoyang Garden in Beijing. As at 30th June, 2005, the Remaining Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of approximately HK$643.5 million and approximately HK$38.9 million respectively. There was a claim against a subsidiary of the Company in the amount of approximately HK$14.9 million, details of which have been set out in the paragraph headed "Litigation" in Appendix V to this circular.

Hedging

No financial instruments were used for hedging purposes for the year ended 30th June, 2005.

Set out below are the text of the letter and the valuation certificate from Knight Frank Hong Kong Limited prepared for the purpose of incorporation into this circular, of its valuation of the Cargo Centre as at 31st August, 2005.

Knight Frank

萊坊國際物業顧問

29/F Office Tower
Convention Plaza, 1 Harbour Road
Wanchai, Hong Kong

31st October, 2005

The Directors
Dynamic Holdings Limited
17th Floor, Eton Tower
8 Hysan Avenue
Causeway Bay
Hong Kong

Dear Sirs,

Re: 32 van/private car parking spaces, 26 lorry parking spaces and 2 container parking spaces on 2nd to 5th floors, flat roofs on the 2nd floor, reserved area on the 5th floor, godown units on 6th, 7th, 9th, 10th, 12th to 28th and 30th floors, Dynamic Cargo Centre, 110–118 Texaco Road and 180–200 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong ("the property")

In accordance with your instructions for us to value the property in which Dynamic Holdings Limited (the "Company") or its subsidiaries (together referred to as the "Group") have interests, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31st August, 2005.

We have valued the property at its market value which we would define as meaning "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation has been made on the assumption that the owner sells the property on the open market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the value of the property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property.

The property which is held by the Group for investment has been valued with reference to comparable market transactions and on the basis of capitalization of the net income shown on the schedules provided by you. We have allowed for outgoings and make provisions for reversionary income potential.

In undertaking our valuation of the property held from the Government for a term expired before 30th June, 1997, we have taken into account the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the Question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such lease had been extended without premium until 30th June, 2047 and that an annual rent at three per cent of the then rateable value of the property was charged from the date of extension.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, particulars of occupancy and floor areas. We have caused searches to be made at the Tsuen Wan Land Registry. However, we have not scrutinised the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate.

We have inspected the exterior of the property. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the property is or is not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Our valuation has been prepared in accordance with the requirements set out in Chapter 5 to the Rules Governing the Listing of Securities published by The Stock Exchange Hong Kong Limited and the Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

We enclose herewith our valuation certificate.

Yours faithfully
For and on behalf of
KNIGHT FRANK HONG KONG LIMITED
Catherine Cheung
MHKIS MRICS RPS(GP)
Assistant Director

Note: Ms. Catherine Cheung has over 10 year's post-qualification experience for valuing properties in Hong Kong and the People's Republic of China. She is a member of The Hong Kong Institute of Surveyors, a member of The Royal Institution of Chartered Surveyors and a Registered Professional Surveyor (General Practice).

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31st August, 2005
32 van/private car parking spaces, 26 lorry parking spaces and 2 container parking spaces on 2nd to 5th floors, flat roofs on the 2nd floor, reserved area on the 5th floor, godown units on 6th, 7th, 9th, 10th, 12th to 28th and 30th floors, Dynamic Cargo Centre, 110–118 Texaco Road and 180–200 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong Situated within Lot No. 454 in Demarcation District No. 443 and Tsuen Wan Town Lot No. 99.	The property comprises 22 floors of godown units, 32 van/private car parking spaces, 26 lorry parking spaces and 2 container parking spaces of a 31-storey godown building completed in 1991. The total gross floor area and saleable area of the property (excluding car parking spaces) are approximately 718,168 sq.ft. and 492,335 sq.ft. respectively. The property is held for a term of 99 years less the last three days from 1st July, 1898 and was statutorily extended until 30th June, 2047. The annual government rent payable is an amount equal to three per cent of the rateable value for the time being of the property.	The godown units are subject to various tenancies/licences mostly for terms of two years with the latest one expiring in August 2008 at a total monthly rent/licence fee of approximately HK$2,744,000 mostly exclusive of rates and management fees. The carparking spaces are either let on monthly or hourly basis at a total income of about HK$158,600 per month.	HK$500,000,000

Notes:

(1) The registered owner of the property is Yonderille Developments Limited, which is a wholly-owned subsidiary of the Company.

(2) The property is subject to a mortgage dated 17th February, 2003 and a supplemental to mortgage and further charge dated 30th June, 2005 all in favour of Hang Seng Bank Limited.

(3) The property is situated within an area zoned for "Industrial" uses under Tsuen Wan Outline Zoning Plan No. S/TW/21 dated 24th June, 2005.

(4) The property was valued by us as at 30th June, 2005 for accounting purpose at HK$500,000,000.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S DISCLOSURE OF INTERESTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Director	**Name of company**	**No. of issued shares held (long position)**	**Capacity and nature of interests**	**Approximate shareholding percentage** *(%)*
Mr. CHUA Domingo	the Company	93,321,279 Shares	Personal interests (4,000,000 Shares) and interests of controlled corporation (89,321,279 Shares) *(Note)*	42.59
Mr. PANG Kit Man, John	the Company	1,302,000 Shares	Personal interests	0.59

Note: The corporate interests of Mr. CHUA Domingo were held through Dynamic Development Corporation. Dynamic Development Corporation is wholly-owned by Carnation Investments Inc. of which Mr. CHUA Domingo is the sole shareholder and director.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

Save as disclosed below, the Directors or chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Name of company	No. of issued shares held (long position)	Capacity and nature of interests	Approximate shareholding percentage *(%)*
Carnation Investments Inc.	the Company	89,321,279 Shares	Interests of controlled corporation *(Note 1)*	40.77
Plus Holdings Limited	the Company	13,152,000 Shares	Interests of controlled corporation *(Note 2)*	6
Shenzhen Marine Company	Shenzhen Zhen Wah Harbour Enterprises Ltd.	N/A	Corporate	20

Notes:

1. The interests of Carnation Investments Inc. in 89,321,279 Shares were held through Dynamic Development Corporation. Dynamic Development Corporation is wholly-owned by Carnation Investments Inc. of which Mr. CHUA Domingo is the sole shareholder and director.

2. The interests of Plus Holdings Limited in 13,152,000 Shares were held through Telecom Plus Investment Limited, its wholly-owned subsidiary.

4. MATERIAL CONTRACT

As the Latest Practicable Date, save for the Agreement, no member of the Group had entered into any contract (not being contracts entered into in the ordinary course of business) within the two years preceding the issue of this circular which are or may be material.

5. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group:

On 18th June, 2004, Dynamic (B.V.I.) Limited, a subsidiary of the Company, was named as a defendant in a High Court action in respect of an alleged breach of contractual undertakings in relation to consultancy fees payable regarding the Tung Kok Tau project. The plaintiff claimed for an amount of approximately HK$14,879,000. Dynamic (B.V.I.) Limited and its legal counsel strongly resisted this claim and a counterclaim has been lodged against the plaintiff on 5th August, 2005 for, inter alia, damages in an amount of approximately HK$49,309,000 (subject to the Court's assessment). Based on the advice of the legal counsel of the Group, the Directors are of the view that Dynamic (B.V.I.) Limited has a reasonable chance to resist the claim. The Directors are of the view that the outcome of this case would not have a material adverse impact on the financial position of the Group.

Regarding the current dispute on Tung Kok Tau project, negotiations with the Chinese joint venture partner of Shenzhen Zhen Wah Harbour Enterprises Ltd., a subsidiary of the Company, to settle the outstanding dispute are continuing. The Chinese joint venture partner has made repeated allegations with respect to the authenticity and the legality of the procedures involving the increase of the Group's shareholding in Shenzhen Zhen Wah Harbour Enterprises Ltd. in an attempt to strengthen its bargaining position. Based on advice from the Company's PRC legal counsel, the allegations of the Chinese joint venture party are basically groundless. Both parties are still making attempts to settle the differences. However, the Company cannot rule out the need to resort to arbitration if a settlement cannot be reached by the end of the current financial year.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation).

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, Mr. CHUA Domingo, Mr. PANG Kit Man, John, Mr. TANENGLIAN Mariano Chua and Mr. CHEUNG Chi Ming held interests and/or directorship in companies engaged in the businesses of property investment and development in Hong Kong and the Mainland China.

As the Board is independent from the boards of the said companies, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

Save as disclosed above, neither the Directors nor their respective associates were considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to rule 8.10 of the Listing Rules.

8. DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS AND ASSETS

So far as the Directors are aware, as at the Latest Practicable Date:

(i) none of Directors or their associates had any direct or indirect interest in any assets which have been, since 30th June, 2005 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(ii) the following Directors or their associates were materially interested in the following contracts or arrangements entered into by any member of the Group and subsisting at the Latest Practicable Date which were significant in relation to the business of the Group:

On 29th December, 2003, a loan agreement was entered into between the Company as borrower and Speedy Return Investments Limited ("Lender") as lender. The Lender was a company beneficially, indirectly and wholly owned by Mr. CHUA Domingo, the Chairman of the Company and controlling Shareholder. Pursuant to such loan agreement, the Lender agreed to grant to the Company an unsecured revolving credit facility in the maximum amount of USD23 million to finance general working capital of the Group including payment of partial land premium as regards a piece of land situated at Tung Kok Tau in Shenzhen, the PRC. The loan was unsecured at an annual interest rate of LIBOR plus 2.125%, for a term of 2 years from 29th December, 2003, which was better than the normal commercial terms of those loans which the Company and/or its subsidiaries had or could be granted by other financial institution(s) or third party(ies) in the ordinary and usual course of business. Such loan has been extended for a term of 2 years pursuant to a supplemental agreement dated 12th October, 2005. As at 31st August, 2005, the drawn loan amounted to approximately USD8.8 million and interest thereon amounted to approximately USD0.9 million.

9. EXPERTS AND CONSENTS

(i) The following are the qualifications of the experts who have given their opinions and/or advices which are included in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Knight Frank Hong Kong Limited	Professional Surveyors and Property Valuers

(ii) As at the Latest Practicable Date, neither Deloitte Touche Tohmatsu nor the Valuer had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(iii) Each of Deloitte Touche Tohmatsu and the Valuer has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter or references to its name in the form and context which they are included.

(iv) As at the Latest Practicable Date, neither Deloitte Touche Tohmatsu nor the Valuer had any indirect interest in any assets which have been, since 30th June, 2005 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

(i) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of the Company in Hong Kong is at 17th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong.

(ii) The company secretary and qualified accountant of the Company is Madam WONG Oi Yee, Polly. She is a fellow of the Hong Kong Institute of Chartered Secretaries and a Certified Public Accountant.

(iii) The Company's branch share registrars and transfer office are Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

(iv) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 17th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong on any business day from the date of this circular up to and including the date of the SGM:

(i) the memorandum of association and bye-laws of the Company;

(ii) the audited consolidated financial statements of the Group for the three years ended 30th June, 2005 as set out in Appendix II to this circular;

(iii) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Remaining Group upon completion of the Disposal set out in Appendix III to this circular;

(iv) the letter and valuation certificate prepared by the Valuer set out in Appendix IV to this circular;

(v) the material contract referred to under the paragraph headed "Material Contract" in this Appendix;

(vi) the letters of consent referred to under the paragraph headed "Experts and Consents" in this Appendix; and

(vii) this circular.

DYNAMIC HOLDINGS LIMITED
達力集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 029)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Dynamic Holdings Limited (the "**Company**") will be held at Unicorn Room, Basement 2, The Charterhouse, 209–219 Wanchai Road, Wanchai, Hong Kong on Friday, 18th November, 2005 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution:

"**THAT**

(a) the conditional sale and purchase agreement (the "**Agreement**", a copy of which has been produced to the Meeting and marked "A" and initialled by the Chairman of the Meeting for identification purposes) dated 4th October, 2005 made between an indirectly wholly-owned subsidiary of the Company, Yonderille Developments Limited (the "**Vendor**") as vendor and Macquarie Goodman DCC Investments Limited as purchaser (the "**Purchaser**") relating to the disposal by the Vendor to the Purchaser of car parking spaces on 2nd to 5th floors, flat roofs on the 2nd floor, reserved area on the 5th floor and warehousing units on 6th, 7th, 9th, 10th, 12th to 28th and 30th floors, Dynamic Cargo Centre, No. 110–118 Texaco Road and No. 180–200 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong (the "**Disposal**"), and the transactions contemplated thereunder or incidental to the Agreement, and all actions taken or to be taken by the Company and/or its subsidiaries pursuant to the Agreement as described in the circular to the shareholders of the Company dated 31st October, 2005 (the "**Circular**", a copy of which has been produced to the Meeting and marked "B" and initialled by the Chairman of the Meeting for identification purposes) be and are hereby generally and unconditionally approved, ratified and confirmed; and

(b) any one director of the Company be and is hereby authorized for and on behalf of the Company to do all such acts and things, to sign and execute all such other documents, deeds, instruments and agreements and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement or any of the transactions contemplated under the Agreement and all other matters incidental thereto, including (without limitation) exercising or enforcing any right thereunder, and to agree to any amendment to any of the terms of the Agreement which in the opinion of any director of the Company is not of a material nature and is in the interests of the Company."

By Order of the Board
Dynamic Holdings Limited
WONG Oi Yee, Polly
Company Secretary

Hong Kong, 31st October, 2005

Principal place of business in Hong Kong:
17th Floor, Eton Tower
8 Hysan Avenue
Causeway Bay
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting may appoint one or more proxies to attend and vote instead of that member. A proxy need not be a member of the Company.

2. To be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's branch share registrars, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 48 hours before the time for holding the Meeting or any adjourned meeting (as the case may be).

3. As at the date hereof, the board of directors of the Company comprises Mr. CHUA Domingo, Mr. PANG Kit Man, John, Mr. TANENGLIAN Mariano Chua, Mr. TAN Lucio Jr. Khao and Mr. CHEUNG Chi Ming as executive directors, and Mr. CHONG Kim Chan, Kenneth, Mr. SY Robin and Mr. MAK Kwai Wing, Alexander as independent non-executive directors.