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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

DYNAMIC HOLDINGS LIMITED

達力集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 029)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND OUTSTANDING DEBTS OWING FROM HIGH GRAND INVESTMENTS LIMITED

CONTINUING CONNECTED TRANSACTIONS PROPERTY MANAGEMENT SERVICES IN RELATION TO ETON PLACE

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SinoPac Securities (Asia) Limited

A letter from the board of directors of the Company is set out on pages 6 to 20 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 Monday, 13 March 2006 at 11:00 a.m. is set out on pages 117 to 118 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 26th Floor, Tesbury Centre, 28 Queen's Road East, 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.

24 February 2006

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

"Acquisition"	acquisition of the Sale Share and the Sale Debt
"Acquisition Agreement"	the acquisition agreement dated 5 January 2006 entered into between the Vendor, the Guarantor and the Purchaser relating to the Acquisition
"Adjustment"	adjustment to be made to the total investment (including the Total Consideration) of the Group in the Property as referred to in the section headed "Adjustment" in the "Letter from the Board" of this circular
"associate"	shall have the meaning ascribed to it in the Listing Rules
"Balance Payment of the Property"	RMB400 million (equivalent to approximately HK$384 million), subject to Adjustment, being the balance of the aggregate purchase price of the Property payable by MOIL to the Developer under the Pre-Sale Contracts
"Board"	board of the Directors
"BVI"	the British Virgin Islands
"Cap"	the maximum amount of Property Management Fees payable by MOIL to the Property Management Company pursuant to the Deed of Mutual Covenant in the sum of HK$12 million (equivalent to approximately RMB12 million) for each of the two financial years ending 30 June 2008 and in the sum of HK$3 million for the financial year ending 30 June 2009
"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 (stock code: 029) (達力集團有限公司), a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition Agreement in accordance with the terms thereof
"completion of the Pre-Sale Contracts"	delivery of the Property in accordance with the terms of the Pre-Sale Contracts

"Construction Completion"	completion of the construction of West Tower in accordance with the requirements of the Pre-Sale Contracts including obtaining (a) registration form for acceptance of construction completion (建設工程竣工驗收備案表) and (b) Shanghai Municipality construction completion and planning acceptance certificate (上海市建設工程竣工規劃驗收合格證明) issued by the relevant PRC government authorities, and such other approvals or certificates as may be reasonably required by the Purchaser based on formal legal advice from its PRC legal advisers
"Continuing Connected Transactions"	transactions contemplated under the Deed of Mutual Covenant
"Controlling Shareholder"	Mr. Chua
"Deed of Mutual Covenant"	a deed of mutual covenant relating to the management of Eton Place binding upon MOIL and other owners of Eton Place with the Developer, as may be amended, supplemented or replaced from time to time, including any property management agreements concluded pursuant to the terms thereof
"Deposit"	approximately HK$69 million (equivalent to approximately RMB72 million), which was paid by the Purchaser to the Vendor upon signing of the Acquisition Agreement
"Developer"	上海齊茂房地產開發有限公司 (Shanghai Supreme Trade Property Development Co., Ltd.*), a wholly foreign owned enterprise established in Shanghai, the PRC, the entire equity interests of which are indirectly wholly-owned by the Vendor
"Directors"	directors of the Company
"Disposal"	the disposal of the Cargo Centre by Yonderille Developments Limited, an indirect wholly-owned subsidiary of the Company, to Macquarie Goodman DCC Investments Limited for cash pursuant to the terms of an agreement dated 4 October 2005 entered into between the abovementioned parties, details of which have been disclosed in the announcement of the Company dated 4 October 2005 and the circular of the Company dated 31 October 2005
"Enlarged Group"	the Group and the Property Group
"Eton Place"	裕景國際商務廣場 (Eton Place*), No. 69 Dongfang Road, Pudong New Area, Shanghai, the PRC as more particularly described in the section headed "The Property" in the "Letter from the Board" of this circular
"Group"	the Company and its subsidiaries
"Guarantor"	Eton Properties Limited, a company incorporated in Hong Kong

"HGIL"	High Grand Investments Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Vendor
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HK cent"	Hong Kong cent, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company, which comprises the three independent non-executive Directors, Mr. CHONG Kim Chan, Kenneth, Mr. SY Robin, Mr. MAK Kwai Wing, Alexander, formed for the purpose of considering and advising the Independent Shareholders in connection with the Acquisition and the Continuing Connected Transactions including the Cap
"Independent Financial Adviser"	SinoPac Securities (Asia) Limited, a licensed corporation under the SFO permitted to carry out types 1, 4, 6 and 9 of the regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Continuing Connected Transactions including the Cap
"Independent Shareholders"	Shareholders other than the Controlling Shareholder, his associates named in the section headed "The Acquisition Agreement" in the "Letter from the Board" of this circular and their respective associates
"Latest Practicable Date"	21 February 2006, 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
"MOIL"	Move On International Limited (智啓國際有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of HGIL
"Mr. Chua"	Mr. CHUA Domingo, the Chairman, Executive Director and substantial shareholder of the Company
"percentage ratios"	shall have the meaning as ascribed to it in the Listing Rules
"PRC"	the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Pre-Sale Contracts"	182 sets of pre-sale contracts in respect of the pre-sale of the Property entered into between the Developer and MOIL between 22 and 30 December 2005
"Pre-Sale Contracts Completion Deadline"	30 September 2006 (or such other date of completion of the Pre-Sale Contracts as may be permitted under the Pre-Sale Contracts)

"Property"	182 office units located at 7th Floor to 22nd Floor (without 13th and 14th Floors) of the West Tower of Eton Place, with an estimated total gross floor area of approximately 30,188 square metres
"Property Group"	HGIL and MOIL
"Property Management Company"	伊頓物業管理(上海)有限公司 (Eton Property Management (Shanghai) Company Limited*), a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Vendor
"Property Management Fees"	the management fees payable by the Purchaser or any of its subsidiaries (including the Property Group) to the Property Management Company as property manager of Eton Place after completion of the Pre-Sale Contracts calculated in accordance with the terms of the Deed of Mutual Covenant and related documents signed pursuant to the Deed of Mutual Covenant
"Purchaser"	Glory Diamond Inc., a company incorporated in the BVI and a wholly-owned subsidiary of the Company
"Record Date"	Friday, 24 March 2006, being the date for determination of entitlements to the Special Dividend
"Registrar"	the branch share registrars of the Company, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Debt"	the outstanding interest-free debt owing from HGIL to the Vendor and such debt amounted to approximately HK$77 million as at the date of the Acquisition Agreement
"Sale Share"	one share of US$1.00 in the capital of HGIL, representing the entire issued share capital of HGIL
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company to be held on Monday, 13 March 2006 at 11:00 a.m. at Unicorn Room, Basement 2, The Charterhouse, 209–219 Wanchai Road, Wanchai, Hong Kong for the Independent Shareholders to consider and, if thought fit, approve the Acquisition and the Continuing Connected Transactions including the Cap
"Share"	ordinary share(s) of HK$1.00 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Special Dividend"	the special dividend of 15 HK cents per Share

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	shall have the meaning ascribed to it in the Listing Rules
"Total Consideration"	HK$344 million (subject to adjustments and equivalent to approximately RMB358 million), being the total consideration for the acquisition of the Sale Share and the Sale Debt
"US$"	United States dollar, the lawful currency of the United States of America
"Vendor"	Eton Properties Group Limited, a company incorporated in the BVI
"Vendor Group"	the Vendor, the Developer and the Property Group
"Vendor's Undertaking"	the undertakings given by the Vendor pursuant to the Acquisition Agreement in favour of the Purchaser regarding (a) performance by the Developer of its obligations under the Pre-Sale Contracts, (b) Construction Completion and completion of the Pre-Sale Contracts, (c) rental yield, reimbursement of the Property Management Fees and the letting commission payable to letting agents, as more particularly described in the section headed "Completion" in the "Letter from the Board" of this circular
"West Tower"	the West Tower of Eton Place, comprising the Property and a proposed five-star hotel, with an estimated total gross floor area of approximately 83,297 square metres
"%" or "per cent"	percentage

* *For identification purpose only*

For the purpose of this circular, conversion of Renminbi into Hong Kong dollar is calculated at the exchange rate of RMB1.0412 to HK$1.00. Such conversion has been included for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

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

24 February 2006

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND OUTSTANDING DEBTS OWING FROM HIGH GRAND INVESTMENTS LIMITED

CONTINUING CONNECTED TRANSACTIONS PROPERTY MANAGEMENT SERVICES IN RELATION TO ETON PLACE

INTRODUCTION

Pursuant to the announcement of the Company dated 6 January 2006, the Board announced that the Company has proposed to invest in the Property in the total sum of HK$728 million (equivalent to approximately RMB758 million), subject to Adjustment, comprising (i) the Acquisition at the Total Consideration of HK$344 million (equivalent to approximately RMB358 million), subject to Adjustment, and (ii) after completion of the Acquisition, payment of the sum of RMB400 million (equivalent to approximately HK$384 million), subject to Adjustment, being the Balance Payment of the Property payable under the Pre-Sale Contracts for the acquisition of the Property by MOIL (being a wholly-owned subsidiary of HGIL and which will become an indirect wholly-owned subsidiary of the Company after Completion). The total investment in the Property by the Group of HK$728 million, subject to Adjustment, represents an investment of HK$24,116 (equivalent to approximately RMB25,110) per square metre calculated by reference to the current estimated total gross floor area of the Property of approximately 30,188 square metres.

On 5 January 2006, the Vendor, the Guarantor and the Purchaser (a wholly-owned subsidiary of the Company) entered into the Acquisition Agreement pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Share and the Sale Debt at the Total Consideration of HK$344 million (equivalent to approximately RMB358 million), subject to Adjustment. Upon Completion, both HGIL and MOIL will become wholly-owned subsidiaries of the Company. The Acquisition constitutes a very substantial acquisition and a connected transaction for the Company under the Listing Rules.

Pursuant to the Deed of Mutual Covenant in respect of Eton Place which comprises, amongst others, the Property, the Property Management Company (being an indirect wholly-owned subsidiary of the Vendor) will act as the property manager to manage Eton Place (including the Property). The transactions contemplated under the Deed of Mutual Covenant constitute non-exempt continuing connected transactions of the Company under the Listing Rules.

The Independent Financial Adviser, SinoPac Securities (Asia) Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Acquisition and the Continuing Connected Transactions including the Cap are in the ordinary and usual course of business, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

The purpose of this circular is to provide you with:

(a) details of the Acquisition and the Continuing Connected Transactions including the Cap;

(b) the opinion of the Independent Financial Adviser to the Independent Shareholders and the Independent Board Committee in respect of the terms of the Acquisition and the Continuing Connected Transactions including the Cap;

(c) the recommendation of the Independent Board Committee in respect of the terms of the Acquisition and the Continuing Connected Transactions including the Cap;

(d) the valuation of the Property as at 30 November 2005 and the valuation report on the Group's interests in properties as at 30 November 2005 by Savills Valuation and Professional Services Limited;

(e) the financial information of the Group, the Property Group and the Enlarged Group; and

(f) a notice of the SGM to consider and, if thought fit, to approve the Acquisition and the Continuing Connected Transactions including the Cap.

Your attention is hereby drawn to pages 117 to 118 of this circular where you will find a notice of the SGM to be held on Monday, 13 March 2006.

THE ACQUISITION AGREEMENT

Date: 5 January 2006

Parties

Vendor: Eton Properties Group Limited as the vendor. The Controlling Shareholder and his associates (Mr. TAN Eng Chan and Madam ONG Lay Ming, both being family members of the Controlling Shareholder) are together indirectly beneficially interested in the entire issued share capital of the Vendor. Therefore, the Vendor is a connected person of the Company under the Listing Rules. The principal business activities of the Vendor are investment holdings in the PRC.

Guarantor: Eton Properties Limited as the guarantor. The Controlling Shareholder and his associates (Mr. TAN Eng Chan and Madam ONG Lay Ming, both being family members of the Controlling Shareholder) are together indirectly beneficially interested in the entire issued share capital of the Guarantor. Therefore, the Guarantor is a connected person of the Company under the Listing Rules. The principal business activities of the Guarantor are investment holdings in the PRC and provision of project management services.

Purchaser: Glory Diamond Inc., a wholly-owned subsidiary of the Company

The Acquisition

Pursuant to the Acquisition Agreement,

(a) the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Share and the Sale Debt at the Total Consideration of HK$344 million (equivalent to approximately RMB358 million), subject to Adjustment, and the consideration payable for (i) the Sale Share shall be the Total Consideration less the face value of the Sale Debt as at Completion, and (ii) the Sale Debt shall be its face value as at Completion;

(b) the Vendor has provided the Vendor's Undertaking in favour of the Purchaser; and

(c) the Guarantor has guaranteed in favour of the Purchaser in respect of the due performance by the Vendor of its obligations and liabilities under the Acquisition Agreement (including the Vendor's Undertaking).

The Sale Debt amounted to approximately HK$77 million as at the date of the Acquisition Agreement and is estimated to amount to approximately HK$178 million as at Completion, representing the amount advanced to HGIL by the Vendor for the purpose of financing MOIL to make payment of the initial and second payments payable by MOIL under the Pre-Sale Contracts entered into between MOIL and the Developer (being an indirect wholly-owned subsidiary of the Vendor) to acquire the Property as referred to in the section headed "Pre-Sale Contracts" in this letter.

HGIL is an investment holding company whose sole asset is its investment in MOIL. MOIL is an investment company whose sole investment is its interests in the Property under the Pre-Sale Contracts.

The terms and conditions of the Acquisition Agreement (including the Total Consideration) were reached and determined as a result of negotiations between the Vendor and the Purchaser on an arm's length basis with reference to a valuation on the Property on completion basis of RMB850 million (equivalent to approximately HK$816 million) as at 30 November 2005 conducted by Savills Valuation and Professional Services Limited, a firm of independent professional property valuer, the relevant letter and valuation certificate are set out in Appendix IV to this circular. The aggregate of the Total Consideration and the Balance Payment of the Property (being the total investment proposed to be made by the Group in the Property) represents a discount of approximately 11% to the said valuation of the Property.

The Property

The Property comprises 182 office units located at 7th to 22nd Floors (without the 13th and 14th Floors) of the West Tower of Eton Place with an estimated total gross floor area of approximately 30,188 square metres. The Property represents all the office units of the West Tower and is situated in a prime location in Pudong New Area, Shanghai, the PRC. The land on which the Property is erected is held under land use rights for a term of 50 years commencing from 30 September 2003 and expiring on 29 September 2053 and is designated for commercial/office use.

Eton Place is located at No. 69 Dongfang Road, Pudong New Area, Shanghai, the PRC comprising a 24-storey office tower (East Tower) and a 36-storey hotel/office tower (the West Tower) erected upon a 5-storey commercial podium plus a 2-level commercial/car park basement, with a total site area of approximately 14,149 square metres. The West Tower accommodates primarily the office units from the 7th Floor to the 22nd Floor (without the 13th and 14th Floors) (being the Property) and a proposed five-star hotel from the 25th Floor to the 40th Floor (without the 24th and 34th Floors). The West Tower commands seaview over the Huangpu River. Eton Place is currently under construction and is expected to be completed on or about 30 September 2006.

Total Consideration

The Total Consideration payable for the Sale Share and the Sale Debt is HK$344 million (equivalent to approximately RMB358 million), subject to Adjustment, and the consideration payable for (a) the Sale Share shall be the Total Consideration less the face value of the Sale Debt as at Completion, and (b) the Sale Debt shall be its face value of all outstanding debt owing from HGIL to the Vendor as at Completion. The Sale Debt amounted to approximately HK$77 million as at the date of the Acquisition Agreement and is estimated to amount to approximately HK$178 million as at Completion, representing the amount advanced to HGIL by the Vendor for the purpose of financing MOIL to make payment of the initial and second payments payable by MOIL under the Pre-Sale Contracts entered into between the Developer and MOIL (both being indirect wholly-owned subsidiaries of the Vendor) as referred to in the section headed "Pre-Sale Contracts" in this letter.

The Total Consideration has been or will be satisfied in cash and paid in the following manner:

(a) the Deposit, being approximately HK$69 million (equivalent to approximately RMB72 million), representing 20% of the Total Consideration, has been paid in cash on the date of the Acquisition Agreement to the Vendor. In the event that the conditions precedent to the Acquisition Agreement cannot be satisfied on or before 15 March 2006 (or such other date as may be agreed between the Vendor and the Purchaser), the Vendor shall immediately refund the Deposit to the Purchaser (without interest); and

(b) the balance of the Total Consideration in the sum of approximately HK$275 million (subject to Adjustment and equivalent to approximately RMB286 million representing 80% of the Total Consideration) less a retention of HK$30 million as initial retention money for the obligations of the Vendor under the Vendor's Undertaking, will be paid by the Purchaser to the Vendor in cash upon Completion.

The Total Consideration has been or will be financed by internal resources of the Group.

Conditions Precedent

Completion is conditional on the following conditions being satisfied or (in the case of condition (b) below) waived by the Purchaser:

(a) the Independent Shareholders having approved the Acquisition Agreement and the transactions contemplated under or in connection with the Acquisition Agreement at the SGM as required by and in accordance with the Listing Rules; and

(b) the warranties given by the Vendor under the Acquisition Agreement remaining true, accurate and not misleading as of the date of completion of the Acquisition Agreement by reference to the facts and circumstances subsisting as at such date.

Completion will take place within 15 days after the conditions have been fulfilled or waived.

If the conditions set out above are not fulfilled or (in the case of condition (b) above) waived on or before 15 March 2006 (or such other date as may be agreed between the Purchaser and the Vendor) or Completion does not take place as a result of the Vendor and/or the Guarantor failing to fulfill its/their obligations under the Acquisition Agreement, the Purchaser may by notice to the Vendor terminate the Acquisition Agreement without prejudice to any rights that the Purchaser may have against the Vendor and the Vendor shall immediately refund the Deposit without interest to the Purchaser.

Completion

Upon Completion, both HGIL and MOIL will become wholly-owned subsidiaries of the Company.

The Vendor has given the Vendor's Undertaking in the Acquisition Agreement pursuant to which:

(i) the Vendor has undertaken to the Purchaser that it shall procure (a) performance of the Developer of its obligations under the Pre-Sale Contracts, and further (b) that the Construction Completion and completion of the Pre-Sale Contracts shall take place no later than the Pre-Sale Contracts Completion Deadline and, in the event that the Construction Completion and completion of the Pre-Sale Contracts cannot take place on or before such date, the Vendor shall indemnify the Purchaser in this respect;

(ii) the Vendor has guaranteed that the gross annual rental income derived from the Property will not be less than RMB60 million (equivalent to approximately HK$58 million) per annum, representing a gross yield of approximately 8% per annum calculated by reference to the total investment of HK$728 million (equivalent to approximately RMB758 million) proposed to be made by the Group in respect of the Property, for three years commencing from the completion of the Pre-Sale Contracts; and in the event that the amount of gross rental income derived from the Property for any such year falls below RMB60 million (equivalent to approximately HK$58 million) per annum, the Vendor will pay to the Purchaser an amount equivalent to such shortfall on a dollar for dollar basis;

(iii) the Vendor has undertaken to reimburse the Purchaser or any of its subsidiaries (including the Property Group) commissions paid or payable by the Purchaser or any of its subsidiaries (including the Property Group) to letting agents in respect of any lease or rental agreements in connection with any part(s) of the Property entered into at any time after the date of the Acquisition Agreement up to the date being one year after completion of the Pre-Sale Contracts; and

(iv) the Vendor has undertaken to reimburse Property Management Fees paid or payable by the Purchaser or any of its subsidiaries (including the Property Group) in respect of the period of one year from completion of the Pre-Sale Contracts in relation to the Property or any part(s) thereof to the extent not recoverable from tenant(s) of the Property (to be determined on a daily basis).

The Vendor's Undertaking, other than the undertaking regarding procuring the performance of the Developer of its obligations under the Pre-Sale Contracts referred to in paragraph (i)(a) above, shall take effect subject to and upon Completion.

The Company will publish an announcement in the event that the actual annual rental income derived from the Property is less than the guaranteed annual income of RMB60 million (equivalent to approximately HK$58 million) under the Vendor's Undertaking as referred to in paragraph (ii) above and will include such details in its published annual report of the relevant financial year. The independent non-executive Directors will provide an opinion in the published annual report of the Company of the relevant financial year as to whether the Vendor has fulfilled its obligations under the Vendor's Undertaking.

Pursuant to the terms of the Vendor's Undertaking (without limiting or prejudicing rights thereunder) and the Pre-Sale Contracts, if the Construction Completion and completion of the Pre-Sale Contracts shall take place later than the Pre-Sale Contracts Completion Deadline, the Vendor or the Developer will pay a sum equivalent to 0.03% per day on the total investment of the Group in the Property (being the sum of approximately HK$728 million (equivalent to approximately RMB758 million)) from the day following the Pre-Sale Contracts Completion Deadline until the actual date of completion of the Pre-Sale Contracts.

The Guarantor has undertaken to procure the due performance of the Vendor of all of its obligations under the Acquisition Agreement.

The obligations of the Guarantor and the Vendor's Undertaking shall terminate and cease to have any effect (without prejudice to any rights which have already accrued against the Vendor) if MOIL ceases to be a subsidiary of the Company after Completion.

In addition, the Purchaser will retain a sum of HK$30 million, HK$20 million and HK$10 million, respectively, from the balance payment of the Total Consideration payable to the Vendor, during the first, second and third year from the completion of the Pre-Sale Contracts as retention money in respect of all the obligations of the Vendor under the Acquisition Agreement (including the Vendor's Undertaking).

Pre-Sale Contracts

Pursuant to the internal restructuring of the Vendor Group, MOIL (an indirect wholly-owned subsidiary of the Vendor) entered into the Pre-Sale Contracts with the Developer (an indirect wholly-owned subsidiary of the Vendor) pursuant to which the Developer agreed to sell and MOIL agreed to purchase the Property at the acquisition cost of approximately RMB586 million (equivalent to approximately HK$562 million), subject to Adjustment. The acquisition cost payable by MOIL for the Property has been or will be paid in the following manner:

(a) initial payment of RMB80 million (equivalent to approximately HK$77 million), representing approximately 14% of the total acquisition cost of the Property, has been paid by MOIL to the Developer on 30 December 2005;

(b) second payment of approximately RMB106 million (equivalent to approximately HK$101 million), representing approximately 18% of the total acquisition cost of the Property, will be paid by MOIL to the Developer before 28 February 2006; and

(c) the Balance Payment of the Property, being RMB400 million (subject to Adjustment and equivalent to approximately HK$384 million), representing approximately 68% of the total acquisition cost of the Property, will be paid by MOIL to the Developer before 30 June 2006.

Upon Completion, both HGIL and MOIL will become wholly-owned subsidiaries of the Company. It is currently intended that the Balance Payment of the Property will be financed by bank borrowings to be obtained by the Enlarged Group.

Adjustment

Pursuant to the terms of the Acquisition Agreement and the Pre-Sale Contracts, adjustments will be made to the total investment of the Group in the Property of HK$728 million (equivalent to approximately RMB758 million) in the event that the estimated gross floor area (as stated in the Pre-Sale Contract relating to that unit) of each office unit comprising the Property differs with its actual gross floor area (which will be determined on completion of the Pre-Sale Contracts) as follows:

(i) In the event that the actual gross floor area of an office unit comprising the Property exceeds the estimated gross floor area of such office unit, adjustment will be made to the purchase price for such office unit as a result of which the total investment of the Group in the Property will be increased by HK$24,116 (equivalent to approximately RMB25,110) per square metre up to a maximum of 3% of any excess in the actual gross floor area over the estimated gross floor area for such office unit and no further adjustment will be made in respect of such excess over 3%.

(ii) In the event that the actual gross floor area of an office unit comprising the Property is less than the estimated gross floor area of such office unit, adjustment will be made to the purchase price for such office unit as a result of which the total investment of the Group in the Property will be decreased as follows:

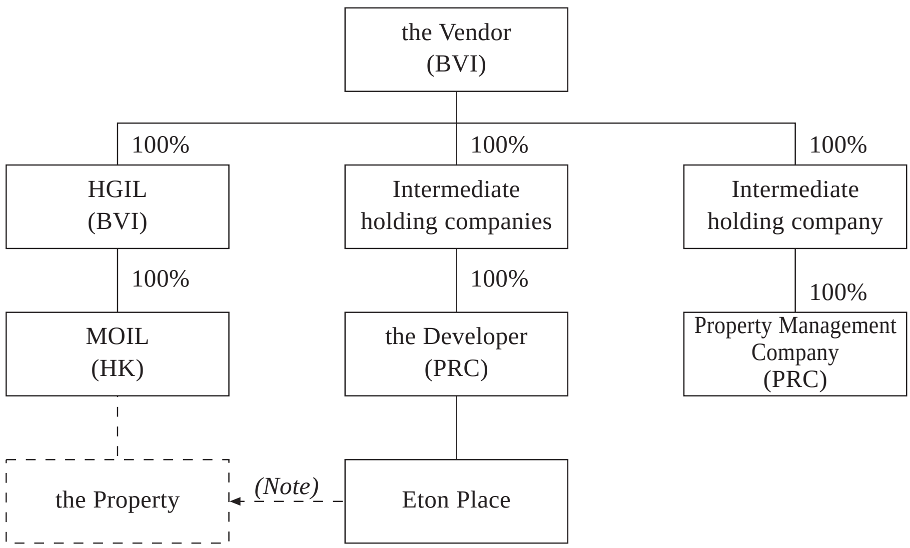
(a) in respect of any deficit in the actual gross floor area in comparison with the estimated gross floor area of such office unit of up to 3%, HK$24,116 (equivalent to approximately RMB25,110) per square metre; and

(b) in respect of any deficit in the actual gross floor area in comparison with the estimated gross floor area of such office unit of more than 3%, HK$48,232 (equivalent to approximately RMB50,220) per square metre.

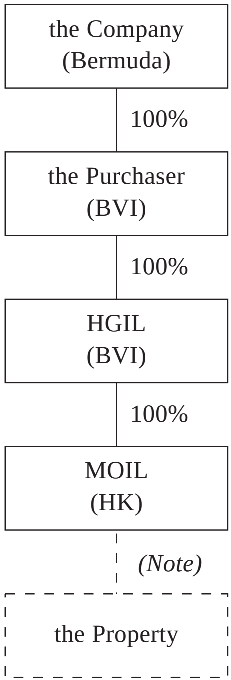
Shareholding structure of the Property Group

The following shows a simplified holding structure of the Property Group before and after Completion:

Before Completion



After Completion



Note: The Developer has entered into the Pre-Sale Contracts to dispose its interests in the Property to MOIL and MOIL is interested in the Property pursuant to the Pre-Sale Contracts.

Listing Rules implications

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. The Controlling Shareholder and his associates (being family members of the Controlling Shareholder) are together indirectly beneficially interested in the entire issued share capital of each of the Vendor, the Developer, the Guarantor and the Property Management Company. The Acquisition therefore also constitutes a connected transaction for the Company under the Listing Rules. As the Total Consideration exceeds HK$10,000,000 and the applicable percentage ratios in respect of the Acquisition exceed 25%, the Acquisition is subject to reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and the approval of Independent Shareholders by way of poll in accordance with Rule 14A.48 of the Listing Rules.

Reasons for the Acquisition and benefits to the Company

As disclosed in the announcement of the Company dated 4 October 2005, the Company is considering to acquire premium properties for the Group in the PRC as opportunities arise. Shanghai is the international and financial centre for the PRC and is well positioned to benefit from the continuing establishment and expansion of multinational companies in the PRC which is expected to lead to continual increase in demand for prime office premises in Shanghai. The Company considers that such demand will lead to a lack of supply of prime office premises in Shanghai as evidenced by rental payable in respect of for prime office premises located in Pudong New Area, Shanghai. The Company expects that such trend will continue in the foreseeable future.

The Acquisition enables the Group to acquire all the office units within the West Tower allowing the Group to exercise a greater degree of control over the conditions and quality of the Property situated in a prime location within Pudong New Area, Shanghai, without over stretching the financial commitments of the Group. The Property will also be supported by a proposed five-star hotel located in the West Tower and other facilities within the commercial podium of Eton Place. It is currently intended by the Company that it will hold the Property as a long term investment for rental purposes.

The Company considers that the recent measures taken by the local government of Shanghai to dampen short term speculative property investment in Shanghai provides an opportunity for the Company to invest in the property market in Shanghai. The Property is constructed in a prime location within Pudong New Area in Shanghai commanding sea view over the Huangpu River. Further, the Company considers the Acquisition as an opportunity for the Group to strengthen its asset base taking into account of the expected rental income (supported by the Vendor's Undertaking) and also the potential future growth in rental yield and capital gain on the Property.

Having considered the above factors, the Directors, excluding the independent non-executive Directors, whose opinion is included in the letter from the Independent Board Committee set out on page 21 of this circular, consider that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Financial effects of the Acquisition

Reference is made to the announcement of the Company dated 4 October 2005 and the circular of the Company dated 31 October 2005 in relation to the Disposal. The Disposal has been approved by the Shareholders on 18 November 2005 and completion of the Disposal took place on 30 November 2005. Upon completion of the Disposal, the Group received approximately HK$625 million as net proceeds from the Disposal (after deducting expenses of the Group in connection with the Disposal) out of which the mortgage loans in the principal amount of approximately HK$152 million has been repaid resulting in an increase in the total cash balance of the Group by approximately HK$473 million as a result of the Disposal. The net asset value of the Group has also been increased by approximately HK$123 million on completion of the Disposal.

As mentioned in the announcement of the Company dated 4 October 2005, the Company has been considering to acquire premium properties for the Group in the PRC as opportunities arise. As mentioned in the section headed "Reasons for the Acquisition and benefits to the Company" above, the Company considers the Acquisition as an opportunity for the Group to strengthen its asset base taking into account the expected rental income (supported by the Vendor's Undertaking) and also the potential future growth in rental yield and capital gain on the Property. Upon Completion, the Group would have paid HK$344 million (out of which a sum of HK$30 million would have been retained in respect of all the obligations of the Vendor under the Acquisition Agreement) as the Total Consideration which has been or will be financed by internal resources of the Group. After such payment, the total cash balance of the Group will be reduced by approximately HK$315 million after taking into account expenses of the Group in connection with the Acquisition. As a result of the Group's acquisition of interests in the Property pursuant to the Acquisition, the net asset value of the Enlarged Group will be increased by approximately HK$70 million by reason of the Acquisition in comparison with the Group's net asset value of approximately HK$954 million as of 30 June 2005 assuming that the Disposal has been completed on 30 June 2005.

Pursuant to the terms of the Vendor's Undertaking and upon completion of the Pre-Sale Contracts, the Vendor has guaranteed that the gross annual rental income derived from the Property will not be less than RMB60 million (equivalent to approximately HK$58 million) per annum, representing a gross yield of approximately 8% per annum calculated by reference to the total investment of approximately HK$728 million (equivalent to approximately RMB758 million) proposed to be made by the Enlarged Group in respect of the Property, for three years commencing from completion of the Pre-Sale Contracts. The Vendor's Undertaking also provides for reimbursement of (i) commission paid or payable by the Purchaser or any of its subsidiaries (including the Property Group) to letting agents in respect of any lease or rental agreements in connection with any parts of the Property entered into at any time after the date of the Acquisition Agreement up to the date being one year after completion of the Pre-Sale Contracts; and (ii) Property Management Fees for one year after completion of the Pre-Sale Contracts, to the extent not recoverable from tenants of the Property, as more particularly described in the section headed "Completion" in this letter.

Financial and trading prospects of the Enlarged Group

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

In an attempt to dampen property speculation in general, the PRC 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 the pre-sales and sales of commercial apartments of Phase III of Chaoyang Garden, Beijing, the PRC ("Phase III") during the financial year ending 30 June 2006 will generally meet the targets set by the Company. The construction of the residential portion of Phase III has been completed in September 2005 with the retail portion currently scheduled to be completed in 2006. The four-storey shopping mall of Phase III comprising the retail portion 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 this 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 the PRC and the turnover of the port operations has increased by a steady growth rate of 12% for the year ended 30 June 2005. The land premium in respect of an area of 171,786 square meters within the Tung Kok Tau site for re-development purpose has been paid and the 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 Enlarged 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.

Upon Completion, HGIL and MOIL will become indirect wholly-owned subsidiaries of the Company. The completion of the Pre-Sale Contracts entered into by MOIL is not expected to occur during the current financial year of the Enlarged Group but is currently expected to take place before 30 September 2006. Pursuant to the terms of the Pre-Sale Contracts, the Enlarged Group will be required to make payment of the Balance Payment of the Property of RMB400 million (equivalent to approximately HK$384 million), subject to Adjustment, before 30 June 2006 which is currently intended to be financed by bank borrowings to be obtained by the Enlarged Group.

Reference is made to the announcement of the Company dated 6 January 2006 in relation to the declaration of a Special Dividend of 15 HK cents per Share to those Shareholders whose names appear on the register of members of the Company at 4:00 p.m. on the Record Date. The Special Dividend will be paid in cash on or about Friday, 31 March 2006. As at the Latest Practicable Date, there were 219,103,681 Shares in issue and the aggregate amount of Special Dividend to be distributed by the Company will amount to approximately HK$33 million assuming that no further Shares will be issued between the Latest Practicable Date and the Record Date.

The Directors approved the declaration of the Special Dividend after taking into consideration, among other factors, the cash reserves of the Company following completion of the Disposal and the requisite funding for the Acquisition.

Information relating to the Property Group

The Property Group comprises HGIL and MOIL. HGIL is an investment holding company incorporated in the BVI on 18 August 2005. Its sole asset is the 100% equity interest in MOIL. MOIL is an investment company incorporated in Hong Kong on 13 October 2005. Its sole asset is its interest in the Property under the Pre-Sale Contracts pursuant to which the Developer agreed to sell and MOIL agreed to purchase the Property. The Property Group has not entered into any agreement or contract other than the Pre-Sale Contracts by MOIL.

The Property Group has no business operation save as aforesaid and has not recorded any profit or loss on a consolidated basis since the date of incorporation of HGIL. As at 31 December 2005, the audited consolidated total assets of the Property Group amounted to approximately HK$77 million representing deposit paid for the acquisition of the Property pursuant to the Pre-Sale Contracts, the audited consolidated total liabilities of the Property Group, after taking into account of an imputed interest of approximately HK$4 million, amounted to approximately HK$73 million representing the loan advanced by the Vendor to HGIL, and the audited consolidated net asset value of the Property Group, after taking into account of an imputed interest of approximately HK$4 million credited as capital reserve, amounted to approximately HK$4 million.

CONTINUING CONNECTED TRANSACTIONS

Property management services in relation to Eton Place

Pursuant to the Deed of Mutual Covenant in respect of Eton Place which comprises, amongst others, the Property, the Property Management Company (being an indirect wholly-owned subsidiary of the Vendor) will act as the property manager to manage Eton Place (including the Property). After completion of the Pre-Sale Contracts, Property Management Fees will be payable by MOIL to the Property Management Company as property manager on the same terms binding on other owners of other parts of Eton Place calculated in accordance with the terms of the Deed of Mutual Covenant. The term of the engagement of the Property Management Company as the property manager of Eton Place as set out in the relevant property management contract will be for a term of two years provisionally commencing from 1 June 2006 to 31 May 2008, the dates for the term of two years being subject to notification by the Developer in writing. However, the term of two years in respect of such engagement will commence on or about the date of completion of the Pre-Sale Contracts which is currently expected to be on or about 30 September 2006. The Deed of Mutual Covenant (and thus the engagement of the Property Management Company as property manager) applies to all parts of Eton Place and is not an exclusive arrangement. The principal business activity of the Property Management Company is the provision of property management services and currently the Property Management Company has not carried on any business other than in connection with the provision of such services to Eton Place.

However, in the event that the whole or any part of the Property is leased out to tenants, such tenants are expected to be responsible to pay for the Property Management Fees for the relevant part of the Property being leased out to such tenants. As set out in the section headed "Completion" in this letter, pursuant to the terms of the Vendor's Undertaking, the Vendor will reimburse the Property Management Fees payable by the Purchaser or any of its subsidiaries (including the Property Group) in relation to the Property or any parts thereof to the extent not recoverable from tenant(s) of the Property (to be determined on a daily basis) for a term of one year commencing from the date of completion of the Pre-Sale Contracts.

Listing Rules implications

Upon Completion, MOIL will become an indirect wholly-owned subsidiary of the Company. The Controlling Shareholder and his associates (being family members of the Controlling Shareholder) are together indirectly beneficially interested in the entire issued share capital of the Property Management Company. As the Cap exceeds HK$10 million and the applicable percentage ratios in respect of the Continuing Connected Transactions exceed 2.5% for each of the two financial years ending 30 June 2008, the transactions contemplated under the Deed of Mutual Covenant constitute non-exempt continuing connected transactions of the Company under the Listing Rules. Therefore, the Continuing Connected Transactions including the Cap will be subject to the reporting and announcement requirements and the approval of Independent Shareholders by way of poll in accordance with Rule 14A.35 of the Listing Rules.

The Company will seek the approval by the Independent Shareholders at the SGM of the Continuing Connected Transactions including the Cap for the three financial years ending 30 June 2009. The Company will further comply with the annual review and disclosure requirements in respect of the Continuing Connected Transactions under Rules 14A.37 to 14A.41 of the Listing Rules. In the event that the terms of the Continuing Connected Transactions continue for a term which exceeds the aforesaid provisional term, the Company will comply with the relevant requirements under the Listing Rules where applicable, including the reporting and announcement requirements and the Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

Basis of determination of the Cap

Pursuant to the Deed of Mutual Covenant, it is currently expected that Property Management Fees of approximately RMB28 (equivalent to approximately HK$27) per square metre per month will be payable by MOIL to the Property Management Company and the total maximum amount of Property Management Fees payable on an annual basis will be approximately RMB10 million (equivalent to approximately HK$10 million) (before taking into account of the Property Management Fees payable by the tenants in the event that the Property or any part thereof is leased out). However, the Property Management Fees payable on an annual basis for each of the two financial years ending 30 June 2008 may exceed RMB10 million (equivalent to approximately HK$10 million) if the Property Management Fees on a per square metre basis as applicable to the whole of the Eton Place are increased and/or the actual gross floor area exceeds the estimated gross floor area of the Property. In addition, the provisional term of the engagement of the Property

Management Company as the property manager of Eton Place is currently expected to commence on or about 30 September 2006 and ending on or about 29 September 2008. Hence, such provisional term is currently expected to extend beyond the Company's financial year ending 30 June 2008 for a period of three months and, as such, Property Management Fees payable during the period from 1 July 2008 to 29 September 2008 is currently expected to be approximately RMB2.5 million (equivalent to approximately HK$2.5 million).

The Cap for the Continuing Connected Transactions for each of the three financial years ending 30 June 2009 is determined based on the current estimated amount of the Property Management Fees of approximately RMB28 (equivalent to approximately HK$27) per square metre per month as mentioned above. It should be noted that the Property Management Fees are calculated on the same basis as property management fees payable by owners of other parts of Eton Place.

Reasons and benefits of the Continuing Connected Transactions

The Deed of Mutual Covenant is on normal commercial terms which are applicable to all owners of Eton Place. The Directors, excluding the independent non-executive Directors, whose opinion is included in the letter from the Independent Board Committee set out on page 21 of this circular, consider that the Continuing Connected Transactions including the Cap are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

SGM

The SGM will be held to consider and, if thought fit, pass the ordinary resolution to approve the Acquisition and the Continuing Connected Transactions including the Cap by way of poll as required under Rule 13.39(4) of the Listing Rules. As at the Latest Practicable Date, the Controlling Shareholder is, directly or indirectly, interested in approximately 42.59% of the issued share capital of the Company and controls the voting right in respect of such shareholding in the Company. Pursuant to the Listing Rules, the Controlling Shareholder, Mr. TAN Eng Chan and Madam ONG Lay Ming and their respective associates will be required to abstain from voting on the relevant resolution to be proposed at the SGM (or any adjourned meeting thereof) to approve the Acquisition and the Continuing Connected Transactions including the Cap. Each of the Controlling Shareholder, Mr. TAN Eng Chan and Madam ONG Lay Ming has undertaken to procure his or her associates to abstain from voting on the ordinary resolution to be proposed at the SGM (or any adjourned meeting thereof) to approve the Acquisition and the Continuing Connected Transactions including the Cap. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder (other than the Controlling Shareholder and Dynamic Development Corporation, being indirectly wholly owned by the Controlling Shareholder) has a material interest in the Acquisition and the Continuing Connected Transactions and is required to abstain from voting for the approval of the Acquisition and the Continuing Connected Transactions including the Cap.

A notice convening the SGM to be held at Unicorn Room, Basement 2, The Charterhouse, 209–219, Wanchai Road, Wanchai, Hong Kong on Monday, 13 March 2006 at 11:00 a.m. is set out on pages 117 to 118 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 26th Floor, Tesbury Centre, 28 Queen's Road East, 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

Your attention is drawn to (i) the recommendation of the Independent Board Committee in respect of the terms of the Acquisition and the Continuing Connected Transactions including the Cap set out on page 21 of this circular; and (ii) the opinion of the Independent Financial Adviser to the Independent Shareholders and the Independent Board Committee in respect of, *inter alia*, the terms of the Acquisition and the Continuing Connected Transactions including the Cap set out on pages 22 to 37 of this circular.

The Directors (excluding the independent non-executive Directors, whose opinion is included in the letter from the Independent Board Committee set out on page 21 of this circular) consider that the terms and conditions of the Acquisition Agreement and the Continuing Connected Transactions including the Cap are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Independent 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 Acquisition, the Continuing Connected Transactions, the Company and the Property Group.

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

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders prepared for incorporation in this circular.

DYNAMIC HOLDINGS LIMITED

達力集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 029)

24 February 2006

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND OUTSTANDING DEBTS OWING FROM HIGH GRAND INVESTMENTS LIMITED

CONTINUING CONNECTED TRANSACTIONS PROPERTY MANAGEMENT SERVICES IN RELATION TO ETON PLACE

We refer to the circular issued by the Company to the Shareholders dated 24 February 2006 (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee for the purpose of considering and advising the Independent Shareholders in relation to the Acquisition and the Continuing Connected Transactions including the Cap.

We wish to draw your attention to the letter from the Board as set out on pages 6 to 20 and the letter from the Independent Financial Adviser as set out on pages 22 to 37 of the Circular respectively.

Having considered the principal factors and reasons considered by, and the advice of Independent Financial Adviser as set out in its letter of advice, we consider that the terms of the Acquisition and the Continuing Connected Transactions including the Cap are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition and the Continuing Connected Transactions including the Cap are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM in respect of the Acquisition and the Continuing Connected Transactions including the Cap on pages 117 to 118 of the Circular.

Yours faithfully,
For and on behalf of
the Independent Board Committee
CHONG KIM CHAN KENNETH   SY ROBIN   MAK KWAI WING ALEXANDER
Independent Non-Executive Directors

The following is the full text of a letter received from the Independent Financial Adviser, SinoPac Securities (Asia) Limited, setting out its opinion to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Continuing Connected Transactions including the Cap prepared for the purpose of incorporation in this circular.

SinoPac

SinoPac Securities (Asia) Limited

23/F Two International Finance Centre
No. 8 Finance Street
Central
Hong Kong

24 February 2006

To the Independent Board Committee and
the Independent Shareholders
of Dynamic Holdings Limited

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise and to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition and the Continuing Connected Transactions including the Cap are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, details of which are set out in the circular to the Shareholders dated 24 February 2006 (the "**Circular**"), which this letter forms a part. Capitalised terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

Pursuant to the announcement of the Company dated 6 January 2006 (the "**Announcement**"), the Board announced that the Company has proposed to invest in the Property in a total sum of HK$728 million (equivalent to approximately RMB758 million), subject to Adjustment, comprising (i) the Acquisition at the Total Consideration of HK$344 million (equivalent to approximately RMB358 million), subject to Adjustment, and (ii) after completion of the Acquisition, payment of the sum of RMB400 million (equivalent to approximately HK$384 million), subject to Adjustment, being the Balance Payment of the Property payable under the Pre-Sale Contracts for the acquisition of the Property by MOIL (being a wholly-owned subsidiary of HGIL and which will become an indirect wholly-owned subsidiary of the Company after Completion). The total investment in the Property by the Group of HK$728 million, subject to Adjustment, represents an investment of HK$24,116 (equivalent to approximately RMB25,110) per square metre calculated by reference to the current estimated total gross floor area of the Property of approximately 30,188 square metres.

On 5 January 2006, the Vendor, the Guarantor and the Purchaser (a wholly-owned subsidiary of the Company) entered into the Acquisition Agreement pursuant to which the Vendor agreed to sell, and the Purchaser agree to purchase, the Sale Share and the Sale Debt at the Total Consideration of HK$344 million (equivalent to approximately RMB358 million), subject to Adjustment. Upon Completion, both HGIL and MOIL will become wholly-owned subsidiaries of the Company.

Pursuant to the Deed of Mutual Covenant in respect of Eton Place which comprises, amongst others, the Property, the Property Management Company (being an indirect wholly-owned subsidiary of the Vendor) will act as the property manager to manage Eton Place (including the Property). After completion of the Pre-Sale Contracts, Property Management Fees will be payable by MOIL to the Property Management Company as property manager on the same terms binding on other owners of other parts of Eton Place calculated in accordance with the terms of the Deed of Mutual Covenant. The term of the engagement of the Property Management Company as the property manager of Eton Place as set out in the relevant property management contract will be two years provisionally commencing from 1 June 2006 to 31 May 2008, the dates for the term of two years being subject to notification by the Developer in writing. However, the term of two years in respect of such engagement will commence on or about the date of completion of the Pre-Sale Contracts which is currently expected to be on or about 30 September 2006.

Since the Controlling Shareholder and his associates (being family members of the Controlling Shareholder) are together indirectly beneficially interested in the entire issued share capital of the Property Management Company, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the Cap exceeds HK$10 million and the applicable percentage ratios in respect of the Continuing Connected Transactions exceed 2.5%, the transactions contemplated under the Deed of Mutual Covenant constitute non-exempt continuing connected transactions of the Company under the Listing Rules. Therefore, the Continuing Connected Transactions including the Cap will be subject to the reporting and announcement requirements and the approval of Independent Shareholders by way of poll in accordance with Rule 14A.35 of the Listing Rules. Pursuant to the Listing Rules, the Controlling Shareholder, Mr. TAN Eng Chan and Madam ONG Lay Ming and their respective associates will be required to abstain from voting on the relevant resolution to be proposed at the SGM (or any adjourned meeting thereof) to approve the Acquisition and the Continuing Connected Transactions including the Cap. Each of the Controlling Shareholder, Mr. TAN Eng Chan and Madam ONG Lay Ming has undertaken to procure his or her associates to abstain from voting on the ordinary resolution to be proposed at the SGM (or any adjourned meeting thereof) to approve the Acquisition and the Continuing Connected Transactions including the Cap. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder (other than the Controlling Shareholder and Dynamic Development Corporation, being indirectly wholly owned by the Controlling Shareholder) has a material interest in the Acquisition and the Continuing Connected Transactions and is required to abstain from voting for the approval of the Acquisition and the Continuing Connected Transactions including the Cap.

BASIS FOR OUR OPINION

In formulating our opinion, we have relied on the information and facts supplied to us by the Company. We have also reviewed, amongst other things, (i) various research reports for the property market of Shanghai, the PRC; (ii) comparable property management fees quoted by other commercial buildings in Pudong New Area, Shanghai, the PRC with similar grade to the Property; (iii) the Acquisition Agreement; (iv) the valuation report as set out in Appendix IV to the Circular; (v) the property management contract entered into between the Developer and the Property Management Company; (vi) Deed of Mutual Covenant; (vii) the Pre-Sale Contracts; and (viii) the circular for the Disposal dated 31 October 2005.

We have assumed that all information, opinions, facts and representations contained or referred to in the Circular and provided to us by the Company and/or the Directors were true, complete and accurate in all material respects at the time they were made and continue to be true, complete and accurate in all material respects at the date of the Circular and up to the time of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information, opinions, facts and representations provided to us by the Company and/or the Directors and referred to in the Circular. The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular relating to the Company and they have confirmed, 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 contained in the Circular misleading.

Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Company and/or the Directors and that any material facts or information have been withheld or omitted or to doubt the truth, accuracy or completeness of information, opinions, facts and representations provided to us by the Company and/or the Directors.

We are independent from, and are not associated with, the Company, the Vendor, the Guarantor, or their respective subsidiaries and substantial shareholders or connected person(s), as defined under the Listing Rules and, accordingly, are considered eligible to give independent advice on the Acquisition and the Continuing Connected Transactions including the Cap. We will receive a fee from the Company for our role as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Continuing Connected Transactions including the Cap. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company, the Vendor, or their respective subsidiaries and substantial shareholders or connected person(s), as defined under the Listing Rules.

We consider that we have been supplied and have reviewed sufficient information to enable us to reach an informed view and to provide us with a reasonable basis for our opinion regarding the Acquisition and the Continuing Connected Transactions including the Cap. We have not, however, carried out any independent verification of the information provided by the Company and/or the Directors, nor have we conducted any independent in-depth investigation into the business and affairs or the financial positions of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

(A) The Acquisition

Principal factors taken into account

1. *Background of the Acquisition*

Pursuant to the Announcement, the Board announced that the Company has proposed to invest in the Property in the total sum of HK$728 million (equivalent to approximately RMB758 million), subject to Adjustment, comprising (i) the Acquisition at the Total Consideration of HK$344 million (equivalent to approximately RMB358 million), subject to Adjustment, and (ii) after completion of the Acquisition, payment of the sum of RMB400 million (equivalent to approximately HK$384 million), subject to Adjustment, being the Balance Payment of the Property payable under the Pre-Sale Contracts for the acquisition of the Property by MOIL (being a wholly-owned subsidiary of HGIL and which will become an indirect wholly-owned subsidiary of the Company after Completion). The total investment in the Property by the Group of HK$728 million, subject to Adjustment, represents an investment of HK$24,116 (equivalent to approximately RMB25,110) per square metre calculated by reference to the current estimated total gross floor area of the Property of approximately 30,188 square metres.

On 5 January 2006, the Vendor, the Guarantor and the Purchaser (a wholly-owned subsidiary of the Company) entered into the Acquisition Agreement, pursuant to which (a) the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Share and the Sale Debt at the Total Consideration of HK$344 million (approximately RMB358 million), subject to Adjustment; (b) the Vendor has provided the Vendor's Undertaking in favour of the Purchaser; and (c) the Guarantor has guaranteed in favour of the Purchaser in respect of the due performance by the Vendor of its obligations and liabilities under the Acquisition Agreement which includes the Vendor's Undertaking. The Company intends to hold the Property as a long-term investment for rental purpose.

HGIL is an investment holding company whose sole asset is the 100% equity interest in MOIL, which is an investment company whose sole investment is its interests in the Property under the Pre-Sale Contracts. Upon Completion, both HGIL and MOIL will become indirect wholly-owned subsidiaries of the Company.

Completion is conditional on the following conditions being satisfied or (in the case of condition (b) below) waived by the Purchaser:

(a) the Independent Shareholders having approved the Acquisition Agreement and the transactions contemplated under or in connection with the Acquisition Agreement at the SGM as required by and in accordance with the Listing Rules; and

(b) the warranties given by the Vendor under the Acquisition Agreement remaining true, accurate and not misleading as of the date of completion of the Acquisition Agreement by reference to the facts and circumstances subsisting as at such date.

Completion will take place within 15 days after the conditions have been fulfilled or waived.

If the conditions set out above are not fulfilled or (in the case of condition (b) above) waived on or before 15 March 2006 (or such other date as may be agreed between the Purchaser and the Vendor) or Completion does not take place as a result of the Vendor and/or the Guarantor failing to fulfill its/their obligations under the Acquisition Agreement, the Purchaser may by notice to the Vendor terminate the Acquisition Agreement without prejudice to any rights that the Purchaser may have against the Vendor and the Vendor shall immediately refund the Deposit without interest to the Purchaser.

2. *Reasons and benefits of the Acquisition*

Since the Group is principally engaged in property investment and development, we therefore consider that the Acquisition is in line with the principal business of the Group. In light of the Group's business focus on property investment and development and the Group's strategy is to acquire premium properties in the PRC, we consider that the Acquisition is entered into in the ordinary and usual course of business of the Group and also in line with its well established strategy.

As advised by the Directors and concurred by Savills Valuation and Professional Services Limited, the Property, located at No. 69, Dongfang Road, Pudong New Area, Shanghai, the PRC, is classified to be grade A office in Shanghai, the PRC.

Referring to the research report of Greater China Office and Residential Market Overview issued by Colliers International Property Consultants, Inc. in July 2005, under the stipulations of the World Trade Organisation (the "**WTO**"), the PRC's opening of its financial sector by 2006 will lead to a stronger demand for grade A office premises as foreign financial institutions increase their presence. In such regard, we consider that, together with a booming economy and property market of the PRC, Shanghai will present international investors with a wide range of investment opportunity.

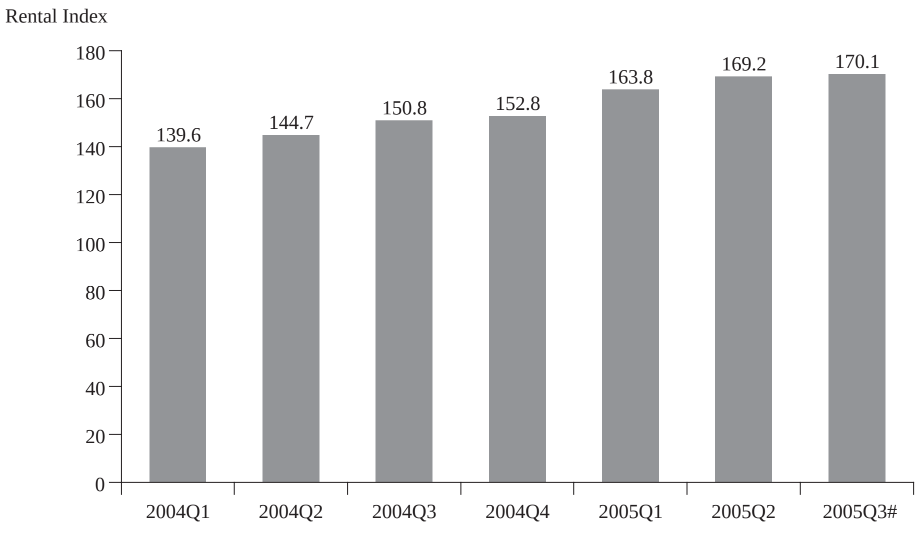
In the second quarter of 2005, the PRC government continued to implement measures aimed at curbing the level of real estate speculation in the property market in the PRC in order to curtail the overheating of real estate development. In such regard, the development and supply of office premium properties have been retarded. Although the development and supply of office premium properties have been retarded, the demand for office property in Shanghai, the PRC, generally continued to increase owing to the general economic growth of the PRC. Therefore, in view of the decrease in supply of office property and increase in demand in office property of Shanghai, the vacancy level decreased from approximately 10.3% in the first quarter of 2004 to approximately 5.1% in the third quarter of 2005. The slight increase in the vacancy level of approximately 0.4% from the second quarter to the third quarter in 2005 is due to the relatively high level of new supply in 2005 which cannot be totally taken up by the market in short-term.

The followings show the vacancy level and rental level of Shanghai office property from the first quarter of 2004 to the third quarter of 2005.

Vacancy level of Shanghai office property

Sources: Research reports of CB Richard Ellis, from the first quarter 2004 to third quarter 2005

Rental index level of Shanghai office property

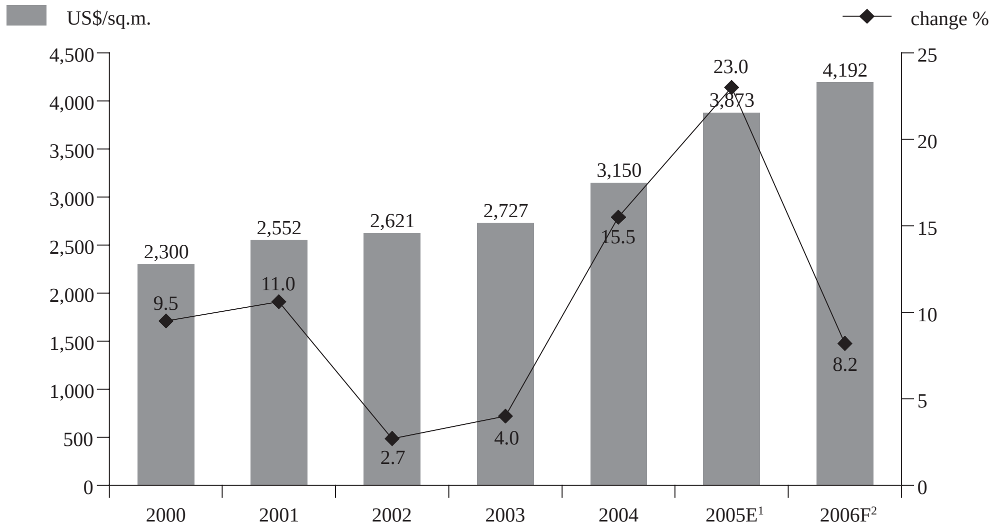


provisional figure

Sources: Research report of DTZ Debenham Tie Leung Limited, third quarter of 2005 (Rental index is based at first quarter of 2000 = 100)

Since the PRC has achieved sustainable development after entering the WTO and continues to serve as an important foreign investment destination, we consider that the market trend of the prime capital value of prime office in Shanghai will increase in the future following the economic growth of the PRC. The average prime capital value of the grade A office in Shanghai, the PRC, as shown below, is expected to increase from approximately US$2,300 per square metre in 2000 to approximately US$4,192 per square metre in 2006, representing an increase of approximately 82%.

Shanghai grade A office average capital value



Sources: Research report of Colliers International Property Consultants, Inc., October 2005

Notes:

1 Estimate

2 Forecast

After taking into consideration the potential growth of the property market of Shanghai, the PRC, in terms of increasing rent and prime capital value of Shanghai property, as mentioned above, we consider that the commercial reasons for the Acquisition are sound and reasonable and the Acquisition is in line with the Group's business strategy. We further consider that the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

On the other hand, since the Group's existing investment and development properties are located in Beijing and Shenzhen, in the PRC, the Group's investment in the Property, located in Shanghai, the PRC, will diversify the Group's property investment portfolio and is in line with the Group's business strategy for acquiring premium properties in the PRC. In view of the expected economic growth of the PRC and the growing trend of the rent and capital value of Shanghai property as aforementioned, we are of the opinion that the Acquisition can diversify the property investment risk of the Group and provide the Group with potential capital return.

3. *Vendor's undertaking*

Having reviewed the Vendor's Undertaking as set out in the section headed "Completion" in the "Letter from the Board" in the Circular, we consider that such undertakings from the Vendor are favourable to the Company in the Acquisition

Agreement and would provide additional protection to the Company and safeguard the interests of the Company in respect of the Acquisition. Based on the above, we are of the view that such undertakings from the Vendor are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

4. *Rental guarantee*

The Vendor has guaranteed that the gross annual rental income derived from the Property will not be less than RMB60 million (equivalent to approximately HK$58 million) per annum, representing a gross yield of approximately 8% per annum calculated by reference to the total investment of HK$728 million (equivalent to approximately RMB758 million) proposed to be made by the Group in respect of the Property, for three years commencing from the completion of the Pre-Sale Contracts; and in the event that the amount of gross rental income derived from the Property for any such year falls below RMB60 million (equivalent to approximately HK$58 million) per annum, the Vendor will pay to the Purchaser an amount equivalent to such shortfall on a dollar for dollar basis.

The Directors advised that the rental guarantee of RMB60 million (equivalent to approximately HK$58) per annum, representing a gross yield of approximately 8% per annum of the total investment, is reached with reference to the current rental yields of the Shanghai properties market. We consider that the basis of the rental guarantee is fair and reasonable after comparing to the rental yields of approximately 7.5% in 2005 and 2006 estimated by Colliers International Property Consultants, Inc. as mentioned in its research report of Shanghai Grade A Office Market in October 2005.

After taking into consideration the Vendor's guarantee on the rental income to be derived from the Property, we consider that such rental guarantee will protect the Group in ensuring minimum stable rental income from the Property for the three years commencing from the completion of the Pre-Sale Contracts, which in turn, will provide the Company with sufficient time for procuring tenants. We are of the view that rental guarantee provided by the Vendor is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

5. *Assets to be acquired*

Pursuant to the Acquisition Agreement, the Company will acquire the entire issued share capital of HGIL and the interest-free debt due from HGIL to the Vendor amounted to approximately HK$77 million as at the date of the Acquisition Agreement. Upon Completion, MOIL and HGIL will become indirect wholly-owned subsidiaries of the Company.

The Property

The Property comprises 182 office units located at 7th to 22nd Floors (without the 13th and 14th Floors) of the West Tower of Eton Place with an estimated total gross floor area of approximately 30,188 square metres. The Property represents all the office units of the West Tower and is situated in a prime location in the Pudong

New Area, Shanghai, the PRC. The land on which the Property is erected on is held under land use rights for a term of 50 years commencing from 30 September 2003 and expiring on 29 September 2053 and is designated for commercial/office use.

Eton Place is located at No. 69 Dongfang Road, Pudong New Area, Shanghai, the PRC comprising a 24-storey office tower (East Tower), a 36-storey hotel/office tower (the West Tower) erected upon a 5-storey commercial podium plus a 2-level commercial/car park basement, with a total site area of approximately 14,149 square metres. The West Tower accommodates primarily the office units from the 7th Floor to the 22nd Floor (without the 13th and 14th Floors) (being the Property) and a proposed five-star hotel from the 25th Floor to the 40th Floor (without the 24th and 34th Floors). The West Tower commands seaview over the Huangpu River. Eton Place is currently under construction and is expected to be completed on or about 30 September 2006.

The Sale Debt

The Sale Debt amounted to approximately HK$77 million as at the date of the Acquisition Agreement and is estimated to amount to approximately HK$178 million as at Completion, representing the amount advanced to HGIL by the Vendor for the purpose of financing MOIL to make payment of the initial and second payments of approximately HK$77 million and HK$101 million, respectively, payable by MOIL under the Pre-Sale Contracts entered into between MOIL and the Developer (being an indirect wholly-owned subsidiary of the Vendor) to acquire the Property.

6. *Consideration*

The consideration payable for the Sale Share and the Sale Debt is HK$344 million (equivalent to approximately RMB358 million), subject to Adjustment. Taking into account the Balance Payment of the Property of RMB400 million (approximately HK$384 million), subject to Adjustment, to be financed by bank borrowings to be obtained by the Group, payable by MOIL to the Developer, the total investment payable by the Company for the Property should be HK$728 million.

The aggregate consideration for the Acquisition of HK$728 million is arrived at after taking reference to the valuation on the Property on a completion basis of approximately RMB850 million (equivalent to approximately HK$816 million) based on an independent valuation conducted by Savills Valuation and Professional Services Limited ("**Savills**"), a firm of independent professional property valuer. Please refer to the valuation report prepared by Savills dated 24 February 2006 as set out in Appendix IV to the Circular for details of the valuation. Having discussed with Savills, we understand that the valuation of the Property is made after taking reference to the market value of similar commercial buildings located in Pudong New Area, Shanghai, the PRC and on completion basis. Based on our review of the valuation report as well as discussion with Savills, we consider that the approach conducted by Savills in the determination of the market value of the Property, which is a common valuation methodology for valuing properties, is appropriate and believe that such valuation will fairly reflect the current market value of the Property.

Having discussed with the Directors, we are of the view that the consideration was arrived at after arm's length negotiations after taking into consideration to the value of the Sale Share and the Sale Debt as well as the value of the Property. Given that the aggregate of the Total Consideration and the Balance Payment of the Property (being the total investment proposed to be made by the Group in the Property) represents a discount of approximately 11% to the valuation of the Property, we are of the view that the Total Consideration and the total investment in the Property payable by the Group is fair and reasonable so far as the Company and the Shareholders are concerned.

Furthermore, according to the research report prepared by Colliers International Property Consultants, Inc., the estimated capital value of the grade A office in Shanghai, the PRC, is in general approximately US$3,873 (equivalent to approximately HK$30,209) per square metre in 2005. Thus the consideration based on the HK$24,116 per square metre of the Property represents a discount of approximately 20% to that estimated by Colliers International Property Consultants, Inc.. In such regard, we consider that the total investment is favourable to the Company and is therefore in the interest of the Company and the Shareholders as a whole.

It should be noted that the aggregate consideration for the Acquisition of HK$728 million is based on the current estimated total gross floor area of the Property of approximately 30,188 square metres and HK$24,116 (equivalent to approximately RMB25,110) per square metre of the Property. The aggregate consideration for the Acquisition is subject to the Adjustment to reflect any difference between the actual total gross floor area (which will be determined on completion of the Pre-Sale Contracts) and the estimated total gross floor area of the Property as follows:

(i) In the event that the actual gross floor area of an office unit comprising the Property exceeds the estimated gross floor area of such office unit, adjustment will be made to the purchase price for such office unit as a result of which the total investment of the Group in the Property will be increased by HK$24,116 (equivalent to approximately RMB25,110) per square metre up to a maximum of 3% of any excess in the actual gross floor area over the estimated gross floor area for such office unit and no further adjustment will be made in respect of such excess over 3%.

(ii) In the event that the actual gross floor area of an office unit comprising the Property is less than the estimated gross floor area of such office unit, adjustment will be made to the purchase price for such office unit as a result of which the total investment of the Group in the Property will be decreased as follows:

   (a) in respect of any deficit in the actual gross floor area in comparison with the estimated gross floor area of such office unit of up to 3%, HK$24,116 (equivalent to approximately RMB25,110) per square metre; and

   (b) in respect of any deficit in the actual gross floor area in comparison with the estimated gross floor area of such office unit of more than 3%, HK$48,232 (equivalent to approximately RMB50,220) per square metre.

In light of the above adjustment formula which calculates the potential downward and upward adjustment to the aggregate consideration for the Acquisition, we consider that the Adjustment is acceptable since the aggregate consideration will be directly proportional to the actual gross floor area under the Acquisition within the 3% upward and downward adjustment. We further consider that (i) in the event that the actual gross floor area exceeds the estimated gross floor area over 3%, the Adjustment would cap the maximum amount of the Company's total investment in the Property of approximately HK$750 million; and (ii) in the event that the actual gross floor area is less than the estimated gross floor area for more than 3%, the calculation for such deficit of gross floor area for more than 3% will be based on HK$48,232 (equivalent to approximately RMB50,220) per square metre, as much as a double of the price of the investment per square metre represented by the Acquisition. Therefore, we are of the opinion that the Adjustment is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

7. *Financing of the Consideration*

The Company intends to finance the Total Consideration of HK$344 million by internal resources of the Group and the Balance Payment of the Property of HK$384 million by bank borrowings to be obtained by the Group.

Having reviewed the conditions of the relevant term sheets provided by the banks to the Group and discussed with the Directors regarding their bankers' intention for financing the Acquisition, we concur with the Directors' view that the Group is able to comply with the conditions of the relevant term sheets provided by the principal banks to the Group and will be able to obtain banking facilities for financing the Balance Payment on Completion.

There is a potential risk that the required banking facilities may not be obtained. Should the Company fail to obtain the banking facilities, the Directors will seek other sources of funding for financing the Acquisition. However the Directors believe that such risk is slight as the terms and conditions stipulated by the banks can be fulfilled without difficulty.

8. *Conditions precedent*

Completion is conditional on the following conditions being satisfied or (in the case of condition (b) below) waived by the Purchaser:

(a) the Independent Shareholders having approved the Acquisition Agreement and the transactions contemplated under or in connection with the Acquisition Agreement at the SGM as required by and in accordance with the Listing Rules; and

(b) the warranties given by the Vendor under the Acquisition Agreement remaining true, accurate and not misleading as of the date of completion of the Acquisition Agreement by reference to the facts and circumstances subsisting as at such date.

Completion will take place within 15 days after the conditions have been fulfilled or waived.

If the conditions set out above are not fulfilled or (in the case of condition (b) above) waived on or before 15 March 2006 (or such other date as may be agreed between the Purchaser and the Vendor) or Completion does not take place as a result of the Vendor and/or the Guarantor failing to fulfill its/their obligations under the Acquisition Agreement, the Purchaser may by notice to the Vendor terminate the Acquisition Agreement without prejudice to any rights that the Purchaser may have against the Vendor and the Vendor shall immediately refund the Deposit without interest to the Purchaser.

9. *Financial impact of the Acquisition on the Company*

We have assessed the financial impact of the Acquisition on the Company based on (i) the audited financial statements of the Group for the year ended 30 June 2005 as set out in Appendix I to the Circular; (ii) the accountants' report on the Property Group as set out in Appendix II to the Circular; and (iii) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular.

Earnings

There will be rental income generated from the Property for the Group supported by the Vendor's Undertaking whereby the Vendor has guaranteed that the gross rental income from the Property will not be less than RMB60 million (approximately HK$58 million) per annum for the three years commencing from completion of the Pre-Sale Contracts. Therefore, the Acquisition is expected to bring the Enlarged Group rental income of at least RMB60 million (approximately HK$58 million) annually for the three years commencing from completion of the Pre-Sale Contracts.

The Balance Payment of the Property, being RMB400 million (approximately HK$384 million), subject to Adjustment, will be paid by MOIL to the Developer before 30 June 2006. Since upon Completion, MOIL will become an indirect wholly-owned subsidiary of the Company, it is currently intended that the Balance Payment of the Property will be financed by bank borrowings to be obtained by the Group. The Group is seeking banking facilities from various banks. As a result of such bank borrowings, the Enlarged Group will incur additional interest expense.

Having considered the revenue contribution from the Property with support by the Vendor's rental guarantee and assessed the interest expense with reference to the term sheets provided by the bankers to the Group, we are of the view that the Acquisition will provide the Group with additional earnings and is in the interests of the Group and the Shareholders as a whole.

Net asset value

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular, the net asset value of the Enlarged Group will be improved by approximately HK$70 million as a result of the Acquisition (assuming the completion of the Disposal took place on 30 June 2005). Given the positive effect of the Acquisition on the net asset value of the Group and taking the contribution from the Property into consideration, we are of the opinion that the Acquisition is in the interests of the Company and the Shareholders as a whole.

Liquidity and working capital

Based on the unaudited pro forma balance sheet of the Enlarged Group as set out in Appendix III to the Circular, the current assets of the Enlarged Group would decrease by approximately HK$309 million as a result of the Acquisition (assuming the completion of the Disposal took place on 30 June 2005) while the current liabilities of approximately HK$249 million remain unchanged. Assuming that the Acquisition has taken place on 30 June 2005, the current ratio would decrease from approximately 4.27 times to 3.03 times as a result of the Acquisition. We also note that the Acquisition will not increase the borrowings of the Enlarged Group, but the payment of the Balance Payment of the Property will increase the borrowings of the Enlarged Group by HK$384 million upon payment by MOIL to the Developer before 30 June 2006 (after Completion). Having reviewed the term sheets provided by bankers to the Group, we understand from the Directors that the Balance Payment of the Property will be financed by bank borrowings with a tenor from five years to twelve years and will be accounted as non-current liabilities in the balance sheet of the Enlarged Group. Having reviewed total borrowing as well as current assets and current liabilities of the Enlarged Group presented in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular, we are of the opinion that there will be no material adverse effect on the liquidity of the Enlarged Group after the Acquisition.

The gearing ratio of the Group, represented by a percentage of total bank and other borrowings to total assets, would decrease by 1% (subject to audit) as a result of the Acquisition (assuming the completion of the Disposal took place on 30 June 2005). In view that the Acquisition would not increase the gearing ratio, we are of the opinion that the Acquisition would not have adverse effect on the liquidity of the Group immediately upon completion of the Acquisition. The payment of the Balance Payment of the Property would be financed by bank borrowings and would increase the borrowings by approximately HK$384 million, which would increase the gearing ratio to approximately 29%. In our view, such increase in gearing ratio would be acceptable after taking into consideration the rental income from the Property and the interest expenses of the bank borrowing for financing the Acquisition.

(B) The Continuing Connected Transactions

Principal factors and reasons considered

The principal factors and reasons that we have taken into consideration in assessing the Continuing Connected Transactions including the Cap and arriving at our opinion are set out below:

1. *Background and reasons for the Continuing Connected Transactions*

Upon completion of the Acquisition Agreement and the Pre-Sale Contracts, MOIL is responsible for paying the Property Management Fees to the Property Management Company as property manager to manage Eton Place (including the Property) pursuant to the Deed of Mutual Covenant.

Pursuant to the Deed of Mutual Covenant, the Property Management Fees of approximately RMB28 (equivalent to approximately HK$27) per square metre per month will be payable by MOIL to the Property Management Company. The total maximum amount of Property Management Fees payable on an annual basis is currently estimated to be approximately RMB10 million (equivalent to approximately HK$10 million) (before taking into account of the Property Management Fees payable by the tenants in the event that the Property or any part thereof is leased out). However, the total maximum amount of Property Management Fees payable on an annual basis may exceed RMB10 million (equivalent to approximately HK$10 million) if the Property Management Fees on a per square metre basis as applicable to the whole of Eton Place are increased pursuant to the relevant property management contract and/or the actual gross floor area exceeds the current estimated gross floor area of the Property.

2. *Terms of the Deed of Mutual Covenant*

Pursuant to the Deed of Mutual Covenant, the Property Management Company (being an indirect wholly-owned subsidiary of the Vendor) will act as the property manager to manage Eton Place (including the Property). After completion of the Pre-Sale Contracts, Property Management Fees will be payable by MOIL to the Property Management Company as property manager on the same terms binding on other owners of other parts of Eton Place calculated in accordance with the terms of the Deed of Mutual Covenant. The term of the engagement of the Property Management Company as the property manager of Eton Place as set out in the relevant property management contract will be two years, subject to notification by the Developer in writing, and will provisionally commence from 1 June 2006 to 31 May 2008. In addition, the provisional term of the engagement of the Property Management Company as the property manager of Eton Place is currently expected to commence on or about 30 September 2006 and end on or about 29 September 2008. The Deed of Mutual Covenant (and thus the engagement of the Property Management Company as property manager) applies to all parts of Eton Place and is not an exclusive arrangement. The principal activity of the Property Management Company is the provision of property management services and the Property Management Company currently does not carry on any business other than in connection with the provision of such services of Eton Place.

Having reviewed the Deed of Mutual Covenant and discussed with the Directors, we consider that the terms of the Deed of Mutual Covenant, which are applicable to all owners of Eton Place, are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

3. *Property Management Fees*

In assessing the fairness and reasonableness of the Property Management Fees of approximately RMB28 (equivalent to approximately HK$27) per square metre payable by MOIL to the Property Management Company, we compared them with the property management fees of similar commercial buildings in Pudong New Area, Shanghai, the PRC. We found that the Property Management Fees are similar to those property management fees of similar commercial buildings located in Pudong New Area, Shanghai, the PRC. In addition, we note that the Property Management

Fees are calculated on the same basis as property management fees payable by owners of other parts of Eton Place. The Directors advised that, to their best knowledge, the owners of the East Tower of Eton Place were independent and not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries.

Based on the above, we are of the view that the Property Management Fees payable by MOIL to the Property Management Company are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

4. *Arrangement of the payment of the Property Management Fees*

In the event that the whole or any part of the Property is leased out to tenants, such tenants are expected to be responsible for paying the Property Management Fees for the relevant part of the Property being leased out to such tenants. Pursuant to the terms of the Vendor's Undertaking, the Vendor will reimburse the Property Management Fees in respect of Property Management Fees payable by MOIL in relation to the Property or any parts thereof to the extent not recoverable from tenant(s) of the Property (to be determined on a daily basis) for a term of one year commencing from the date of completion of the Pre-Sale Contracts.

We are of the opinion that the aforementioned arrangement of the Vendor's Undertaking is in the Company's favour and is in the interests of the Company and the Shareholders as a whole.

5. *Proposed Cap Amount*

With respect to the provisional term of the engagement of the Property Management Company as the property manager of Eton Place with two years commencing on or about the date of the Completion of the Pre-Sale Contracts which is currently expected to be on or about 30 September 2006, pursuant to Rule 14A.35(2) of the Listing Rules, the Continuing Connected Transactions will be subject to the Cap for each of the three financial years of the Company ending 30 June 2009.

Based on the current estimated amount of the Property Management Fees of approximately RMB28 (equivalent to approximately HK$27) per square metre per month and the current estimated total gross floor area of the Property of approximately 30,188 square metres and the assumption that the completion of the Pre-Sale Contracts will take place after 30 June 2006, the total maximum amount of Property Management Fees payable on an annual basis for the two years ending 30 June 2008 is currently estimated to be approximately RMB10 million (approximately HK$10 million) (before taking into account of the Property Management Fees payable by the tenants in the event that the Property or any part thereof is leased out. However, the Property Management Fees payable on an annual basis for the two years ending 30 June 2008 may exceed RMB10 million (equivalent to approximately HK$10 million) if the Property Management Fees on a per square metre basis as applicable to the whole of Eton Place are increased and/or the actual gross area exceeds the estimated gross floor area of the Property.

On the assumption that the completion of the Pre-Sale Contracts occurs on or about 30 September 2006, it is expected that the Continuing Connected Transactions relating to the aforesaid provisional term will expire on or about 29 September 2008. In such regard, the Property Management Fees payable by MOIL to the Property Management Company during the period from 1 July 2008 to 29 September 2008 is currently expected to be approximately RMB2.5 million (approximately HK$2.5 million). In the event that the terms of the Continuing Connected Transactions continue for a term which exceeds the aforesaid provisional term, the Company will comply with the relevant requirements under the Listing Rules where applicable, including the reporting and announcement requirements and the Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

Based on the above and after taking into consideration of (i) the potential increase of the Property Management Fees; (ii) the assumption provided by the Directors that the completion of the Pre-Sale Contracts is expected to be in a period between 1 July 2006 and 30 September 2006; and (iii) the possible extent of increase of the total gross floor area of the Property, the Company proposes to set the Cap amount of HK$12 million for each of the two years ending 30 June 2008 and the Cap amount of HK$3 million for the financial year ending 30 June 2009.

In order to assess the reasonableness of the Cap amount, we (i) have reviewed the assumptions for the computation of the Cap; (ii) have discussed with the Directors on the above bases; (iii) have taken into consideration the expected date of the engagement of the Property Management Company as the property manager of Eton Place; and (iv) have collected and reviewed other property management fees for similar commercial properties located in Pudong New Area, Shanghai, the PRC. In such regard, we are of the view that the bases for determining the Cap amount are fair and reasonable so far as the Shareholders are concerned.

CONCLUSION AND RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the Acquisition, the Deed of Mutual Covenant and the Continuing Connected Transactions including the Cap are entered into in the ordinary and usual course of business of the Group on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and to recommend the Independent Shareholders to vote at the SGM in favour of the resolution relating to the Acquisition and Continuing Connected Transactions including the Cap.

Yours faithfully,
For and on behalf of
SinoPac Securities (Asia) Limited
Frank Lam
Executive Director

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 30 June 2005 as extracted from the published annual reports of the Company for the three years ended 30 June 2005.

Consolidated Results

	For the year ended 30 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 30 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 30 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 30 June 2005, the Group did not have any extraordinary items.

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

2. FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 30 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 30 June 2004 and 30 June 2005:

Consolidated Income Statement

		For the year ended 30 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

		As at 30 June	
		2005	**2004**
	Notes	*HK$'000*	*HK$'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 30 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 1 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 30 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 30 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 30 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 30 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 1 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 30 June 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 30 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 30 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 1 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 1 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 HK$'000	2004 HK$'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 HK$'000	2004 HK$'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 HK$'000	2004 HK$'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	2004
	HK$'000	*HK$'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	Chong Kim Chan, Kenneth	Mak Kai Wing, Alexander	Total 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	Chong Kim Chan, Kenneth	Total 2004
	HK$'000	*HK$'000*	*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 30 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 30 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 30 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 *HK$'000*	Plant and machinery, equipment and others *HK$'000*	Total *HK$'000*
THE GROUP			
COST			
At 1 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 30 June 2005	5,948	27,684	33,632
DEPRECIATION			
At 1 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 30 June 2005	5,324	15,833	21,157
NET BOOK VALUES			
At 30 June 2005	624	11,851	12,475
At 30 June 2004	760	12,781	13,541

13. Investment properties

	THE GROUP *HK$'000*
VALUATION	
At 1 July 2004	420,000
Revaluation increase on investment properties	80,000
At 30 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 30 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 18 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 30 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 1 July 2004 and 30 June 2005	13,704
AMORTISATION	
At 1 July 2004	13,543
Provided for the year	161
At 30 June 2005	13,704
NET BOOK VALUES	
At 30 June 2005	—
At 30 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 29 December 2003 which has been extended for a term of two years pursuant to a supplemental agreement dated 12 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 19 October 1995.

At 30 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 30 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 30 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 44.

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 1 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 30 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 30 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 30 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 29 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 12 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 1 July 2003	16,156	(10,406)	5,750
Charge to income statement	1,709	496	2,205
At 30 June 2004	17,865	(9,910)	7,955
Charge to income statement	10,623	1,035	11,658
At 30 June 2005	28,488	(8,875)	19,613

At 30 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 30 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 30 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 21 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 20 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 30 June 2005, 30 June 2004 and 1 July 2003.

36. Retirement benefit scheme

(a) Prior to 1 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 1 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 30 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 30 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 4 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 23 December 2005. Details of this transaction were disclosed in the Company's announcement dated 4 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 30 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 30 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 30 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 OF THE ENLARGED GROUP

As at the close of business on 31 December 2005, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$156 million. The borrowings comprised secured bank loans of approximately HK$67 million, unsecured bank loans of approximately HK$2 million and other unsecured borrowings of approximately HK$87 million (including the outstanding debt of approximately HK$77 million owing from HGIL to the Vendor advanced on 30 December 2005). The Enlarged Group's current banking facilities are secured by four floors of shopping mall of Phase III of Chaoyang Garden. The Enlarged Group had its bank deposits of HK$21 million pledged to banks to secure mortgage bank loans granted to home buyers of a property project in the PRC.

As at the close of business on 31 December 2005, the Enlarged Group had total contingent liabilities of approximately HK$641 million. This comprised guarantees of the settlement of mortgage loans provided by banks to the home buyers of a property project in the PRC in the amount of approximately HK$626 million and a claim against a subsidiary of the Enlarged Group in the amount of approximately HK$15 million, details of which have been set out in the paragraph headed "Litigation" in Appendix VI to this circular.

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not have any debt securities issued and outstanding, and authorised 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 31 December 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 31 December 2005.

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

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account the internal resources and the unutilised banking facilities currently available to the Enlarged Group, the Enlarged Group will have sufficient working capital to satisfy its present requirements for the period ending 12 months from the date of this circular except that, upon Completion, the Enlarged Group will need to obtain additional banking facility to finance the Balance Payment of the Property. The Company is currently negotiating such additional banking facility with the Property to be provided as security thereof which it expects to be able to secure shortly after Completion. As at the Latest Practicable Date, the Directors are confident that such additional banking facility will be available. The Company will seek alternative funding sources in the event that such additional banking facility is not available to finance the Balance Payment of the Property.

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 30 June 2005) and save as disclosed in this circular, the Directors were not aware, as at the Latest Practicable Date, of any material changes in the financial or trading position or prospects of the Group.

The following is the text of the accountants' report prepared for inclusion in this circular from Deloitte Touche Tohmatsu, Certified Public Accountants, the reporting accountants of the Property Group.

Deloitte.
德勤

24 February 2006

The Board of Directors
Dynamic Holdings Limited

Dear Sirs,

We set out below our report on the financial information relating to High Grand Investments Limited (the "Company") and its subsidiary (hereinafter collectively referred to as the "Group") for the period from 18 August 2005 (date of incorporation of the Company) to 31 December 2005 (the "Relevant Period") for inclusion in the circular of Dynamic Holdings Limited ("Dynamic") in relation to the proposed acquisition of the entire issued share capital of the Company and outstanding debts owing from the Company to Eton Properties Group Limited.

The Company was incorporated as an International Business Company with limited liability in the British Virgin Islands on 18 August 2005. The principal activity of the Company is investment holding.

Particular of the Company's subsidiary as at 31 December 2005 are as follows:

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital	Proportion of nominal value of issued capital held directly by the Company	Principal activity
Move On International Limited ("Move On")	Hong Kong 13 October 2005	1 ordinary share of HK$1	100%	Property interest holding

No audited financial statements of the Company for the Relevant Period were prepared as there is no statutory requirement to do so. No audited financial statements of Move On for the Relevant Period were prepared as it adopts June 30 as its year end date and its first audited financial statements will cover a period from 13 October 2005 (date of incorporation) to 30 June 2006.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Group and financial statements of the Company for the Relevant Period (the "HKGAAP accounts") in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have carried out independent audit procedures on the HKGAAP accounts for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the HKGAAP accounts of the Group for the Relevant Period (the "Underlying Financial Statements") in accordance with the Auditing Guideline 3.340 "Prospectuses and the reporting accountant" as recommended by the HKICPA.

The consolidated statement of changes in equity and consolidated cash flow statement of the Group for the Relevant Period and the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2005 together with the notes thereon (the "Financial Information") set out in this report have been prepared from the Underlying Financial Statements.

The Group did not generate any income for the Relevant Period and all its expenses were borne by the Company's immediate holding company.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of Dynamic are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

No comparative consolidated financial information of the Group is presented as the Company and its subsidiary were incorporated on 18 August 2005 and 13 October 2005 respectively.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31 December 2005 and of the result and cash flows of the Group and the Company for the Relevant Period.

A. FINANCIAL INFORMATION

Consolidated Balance Sheet
As At 31 December 2005

	Notes	*HK$*
Non-current asset		
Deposit paid for acquisition of properties	6	76,834,422
Non-current liability		
Amount due to immediate holding company	8	73,175,633
		3,658,789
Capital and reserve		
Share capital	9	8
Capital reserve		3,658,781
		3,658,789

Balance Sheet
As At 31 December 2005

	Notes	*HK$*
Non-current asset		
Interest in a subsidiary	7	76,834,422
Non-current liability		
Amount due to immediate holding company	8	73,175,633
		3,658,789
Capital and reserve		
Share capital	9	8
Capital reserve		3,658,781
		3,658,789

Consolidated Statement of Changes in Equity

For the period 18 August 2005 (dated of incorporation) to 31 December 2005

	Share capital *HK$*	Capital reserve *HK$*	Total *HK$*
Issue of share	8	—	8
Deemed capital contribution from immediate holding company *(note)*	—	3,658,781	3,658,781
	8	3,658,781	3,658,789

Note: The capital reserve represents the difference between the nominal value of the amount due to immediate holding company and its fair value upon initial recognition.

Consolidated and Company Cash Flow Statement

For the period 18 August 2005 (dated of incorporation) to 31 December 2005

	HK$
FINANCING ACTIVITIES	
Proceeds from issue of share	8
Repayment of amount due to immediate holding company	(8)
NET CHANGE IN CASH AND CASH EQUIVALENTS	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	—

NOTES TO THE FINANCIAL INFORMATION

1. General Information and Basis of Preparation of Financial Information

The Company's ultimate holding company is Good Come Properties Limited, a company which is incorporated in British Virgin Islands as an international business company with limited liability. The address of the registered office and principal place of business of the Company are P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and 19th Floor, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong respectively.

The financial information is presented in Hong Kong dollars that is different from the functional currency of the Company which is in Renminbi as the directors of the Company control and monitor the performance and financial position of the Company by using Hong Kong dollars.

The principal activities of the Group are engaged in property interest holding.

The financial information has been prepared on a going concern basis because the immediate holding company of the Company has agreed to provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

2. Significant Accounting Policies

The Financial Information has been prepared under the historical cost basis, except for financial instruments which are measured at fair values upon initial recognition. The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA.

The Group has not early applied the following new Hong Kong Accounting Standards ("HKAS"), Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong (IFRIC) Interpretations ("HK(IFRIC)-Int") that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment[3]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1 January 2007.

[2] Effective for annual periods beginning on or after 1 January 2006.

[3] Effective for annual periods beginning on or after 1 December 2005.

[4] Effective for annual periods beginning on or after 1 March 2006

The principal accounting policies adopted are as follows:

Basis of consolidation

The Financial Information incorporates the financial information of the Company and its subsidiary made up to the balance sheet date.

The results of subsidiary acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investment in subsidiary

Investment in subsidiary is included in the Company's balance sheet at cost less any identified impairment loss.

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 period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information 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 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial information of each individual entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Amount due from a subsidiary

Amount due from a subsidiary is a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, amount due from a subsidiary is carried at amortised cost using the effective interest rate method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Amount due to immediate holding company

Amount due to immediate holding company is subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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. An impairment loss is 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.

3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Recoverability of the deposit paid for acquisition of properties

The assessment of the recoverability of the deposit paid for acquisition of properties requires the use of management's judgment and estimation. Where the expectation is different from the original estimate, such difference will impact the carrying value of the deposit and profit and loss for the period.

4. Financial Risk Management

The Group is exposed to minimal currency risk as the main asset and liability are denominated in Renminbi, the functional currency of both the Company and Move On.

5. Profit or Loss for the period

The Group had no profit or loss for the Relevant Period as the formation expenses and auditors' remuneration were borne by the Company's immediate holding company. The directors are of the opinion that other expenses borne by the immediate holding company for the Group for the Relevant Period were insignificant.

No remuneration was paid or payable to any directors and employees of the Group during the Relevant Period.

6. Deposit Paid for Acquisition of Properties

The Group

Pursuant to the 182 sets of Pre-Sale Contracts entered into between 22 December 2005 and 30 December 2005, Move On contracted to acquire certain property interests located in the Peoples' Republic of China (the "PRC") from Shanghai Supreme Trade Property Development Co., Ltd., a fellow subsidiary of the Company at a total consideration of RMB585,550,000 (equivalent to HK$562,379,946) (the "Acquisition"). As at 30 December 2005, Move On paid RMB80,000,000 (equivalent to HK$76,834,422) as an initial deposit for the Acquisition. The second and the balance payment of RMB105,550,000 (equivalent to HK$101,373,415) and RMB400,000,000 (equivalent to HK$384,172,109), respectively, will be due and payable by Move On before 28 February 2006 and 30 June 2006 respectively. As stipulated in the contracts, the deposits paid are fully refundable if Move On exercises the termination right before 15 April 2006 (the "Termination Right").

7. Interest in a Subsidiary

	The Company
	HK$
Unlisted share, at cost	1
Amount due from a subsidiary	73,175,640
Imputed interest in amount due from a subsidiary	3,658,781
	76,834,422

The amount due from a subsidiary is unsecured and non-interest bearing. In the opinion of the directors, the amount is not repayable within the next twelve months from the balance sheet date. Accordingly, the amount is shown as non-current. The effective interest rate of the amount due from a subsidiary is 5%.

The fair value of the amount upon initial recognition was HK$73,175,640 and the corresponding imputed interest of HK$3,658,781 was debited as investment in the subsidiary. The amount has not been amortised during the Relevant Period as it was lent on 30 December 2005. The fair value of the amount as at balance sheet date, determined based on the present value of the estimated future cash inflows discounted using the prevailing market rate at the balance sheet date approximates its carrying amount.

8. Amount Due to Immediate Holding Company

The Group and the Company

The amount due to immediate holding company of RMB80,000,000 (equivalent to HK$76,834,422) is unsecured and non-interest bearing. The immediate holding company has agreed that it will not demand any repayment within the next twelve months from the balance sheet date and accordingly, the amount is shown as non-current. The effective interest rate of the amount due to immediate holding company is 5%. The fair value of the amount upon initial recognition was HK$73,175,633 and the corresponding capital reserve recognised amounted to HK$3,658,781. The amount has not been amortised during the Relevant Period as it was borrowed on 30 December 2005. The fair value of the amount as at balance sheet date, determined based on the present value of the estimated future cash outflows discounted using the prevailing market rate at the balance sheet date approximates its carrying amount.

9. Share Capital

The Company and the Group

	Number of shares	**Amount**
		US$
Ordinary shares of US$1 each		
Authorised:		
At 18 August 2005 (date of incorporation) and 31 December 2005	50,000	50,000
Issued and fully paid:		
At 18 August 2005 (date of incorporation) and 31 December 2005	1	1
Shown in the Financial Information as		HK$8

10. Major Non-Cash Transaction

During the Relevant Period, an initial deposit amounting to HK$76,834,422 for the acquisition of property interest was paid by the immediate holding company on behalf of Move On.

11. Capital Commitments

At 31 December 2005, the Group had capital commitment of RMB505,550,000 (equivalent to HK$485,545,524) in respect of acquisition of property interests contracted for but not provided in the Financial Information. In the opinion of the directors, it is not the intention of the Group to exercise the Termination Right as mentioned in note 6.

At 31 December 2005, the Company had no capital commitment.

12. Related Party Transactions

Other than those related party transactions and balances set out in notes 8 and 10, there were no significant related party transactions entered into during the Relevant Period nor balances outstanding at 31 December 2005.

The related party transactions were based on terms agreed by the parties concerned.

13. Segment Information

The Group is engaged in property interest holding and its sole asset, the deposit paid for acquisition of properties as described in note 6, is located in the PRC as at 31 December 2005.

B. DISTRIBUTABLE RESERVE

The distributable reserve of the Company is the surplus determined in accordance with the applicable legal requirements in the British Virgin Islands. As at 31 December 2005, the Company had distributable reserve which amounted to HK$3,658,781.

C. DIRECTORS' REMUNERATIONS

No remuneration has been paid or is payable to the Company's directors by the Group during the Relevant Period.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any companies in the Group in respect of any period subsequent to 31 December 2005.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Unaudited pro forma consolidated balance sheet, consolidated income statement and consolidated cash flow statement of the Enlarged Group

The accompanying unaudited pro forma financial information of the Enlarged Group, as defined below, has been prepared to illustrate the effect of the Acquisition to (a)(i) the financial position of the Group based on the unaudited pro forma consolidated balance sheet after the Disposal and (a)(ii) the results of the Group based on the unaudited pro forma consolidated income statement after the Disposal which was based on the audited financial information of the Group for the year ended 30 June 2005 after making certain pro forma adjustments in respect of the Disposal (details of which were disclosed in the circular despatched to the shareholders dated 31 October 2005) and (b) the cash flows of the Group based on the audited financial information of the Group for the year ended 30 June 2005, after making certain pro forma adjustments in respect of the Acquisition.

The unaudited pro forma consolidated balance sheet is prepared on the basis as if the Acquisition had been completed and the second payment under the Pre-Sale Contracts had been paid on 30 June 2005.

The unaudited pro forma consolidated income statement and consolidated cash flow statement are prepared on the basis as if the Acquisition had been completed on 1 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 as at 30 June 2005 or following the Acquisition and the results and cash flows for the period presented or for any future period.

Unaudited pro forma consolidated balance sheet

	Unaudited pro forma consolidated balance sheet after the Disposal	Consolidated balance sheet of HGIL as at 31 December 2005	Adjustment for change to old consolidated balance sheet of HGIL as at 31 December 2005	Adjustment for second payment payable by MOIL	Adjustments for acquisition of HGIL and Sale Debt	Unaudited pro forma consolidated balance sheet after the Acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current Assets						
Property, plant and equipment	12,475	—	—	—	—	12,475
Property interest	—	—	—	—	432,194[a]	432,194
Properties held for development	219,848	—	—	—	—	219,848
Deposit paid for acquisition of property	—	76,834	—	101,373	(178,207)[b]	—
Loan receivables — due after one year	7,147	—	—	—	—	7,147
	239,470	76,834	—	101,373	253,987	671,664
Current Assets						
Properties under development	248,774	—	—	—	—	248,774
Properties held for sale	150,088	—	—	—	—	150,088
Derivative financial instrument	—	—	—	—	5,648[c]	5,648
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	575,273	—	—	—	(315,100)[d]	260,173
	1,063,211	—	—	—	(309,452)	753,759
Current Liabilities						
Trade and other payables	118,346	—	—	—	—	118,346
Pre-sale deposits received	37,033	—	—	—	—	37,033
Tax liabilities	21,854	—	—	—	—	21,854
Bank loans — due within one year	71,674	—	—	—	—	71,674
	248,907	—	—	—	—	248,907
Net Current Assets	814,304	—	—	—	(309,452)	504,852
Total Assets less Current Liabilities	1,053,774	76,834	—	101,373	(55,465)	1,176,516
Capital and Reserves						
Share capital	219,104	—	—	—	—	219,104
Reserves	734,869	3,659	(3,659)	—	70,111[e]	804,980
	953,973	3,659	(3,659)	—	70,111	1,024,084
Minority interests	30,688	—	—	—	—	30,688
Non-current Liabilities						
Other payable — due after one year	493	—	—	—	—	493
Amount due to immediate holding company (Eton Properties Group Limited)	—	73,175	3,659	101,373	(178,207)[f]	—
Loan from a related company	68,620	—	—	—	—	68,620
Amount due to a related company	—	—	—	—	27,232[g]	27,232
Deferred tax liabilities	—	—	—	—	25,399[h]	25,399
	69,113	73,175	3,659	101,373	(125,576)	121,744
	1,053,774	76,834	—	101,373	(55,465)	1,176,516

Notes:

1. Being the unaudited pro forma consolidated balance sheet of the Group after the Disposal, which illustrated the effect of the Disposal and the effect on the application of estimated net proceeds from the Disposal to discharge mortgage loans over the Cargo Centre of approximately HK$151,500,000 ("Mortgage Loans") as if the completion of the Disposal took place on 30 June 2005 and the Mortgage Loans were repaid as of 30 June 2005. Details of which were disclosed in the circular despatched to the shareholders dated 31 October 2005.

2. Being the consolidated balance sheet of HGIL as at 31 December 2005 extracted from Appendix II to this circular, after rounding into thousand.

3. The consolidated balance sheet of HGIL as at 31 December 2005 as set out in Appendix II to this circular was prepared in accordance with the accounting policies in conformity with new/revised Hong Kong Financial Reporting Standards ("HKFRSs") effective for accounting periods beginning on or after 1 January 2005, which are different to the accounting policies adopted by the Group in the preparation of the financial statements for the year ended 30 June 2005 in certain aspects. The amount due to immediate holding company is initially measured at fair value and is subsequently measured at amortised cost, using the effective interest rate method in accordance with Hong Kong Accounting Standard 39 ("HKAS 39") Financial Instruments: Recognition and Measurement. Adjustments and reclassifications were made to reverse the effects of HKAS 39 on accounting for non-current amount due to immediate holding company of HGIL to align with the accounting policies adopted by the Group in preparing its financial statements for the year ended 30 June 2005.

4. The amount, which forms part of the Sale Debt, represents the second payment amounting to RMB105,550,000 (equivalent to HK$101,373,000) to be paid by MOIL to the Developer in respect of the Pre-Sale Contracts for the pre-sale of the Property entered into between the Developer and MOIL.

5. Being the adjustments for acquisition of the entire issued capital of and outstanding debts owing from HGIL at a total consideration of HK$344,000,000, including adjustments on:

   a. The property interest, which represents the probable economic benefits identifiable and derived from the Pre-Sale Contracts upon Completion, accounted for in accordance with Statement of Standard Accounting Practice 30 Business Combinations issued by the Hong Kong Institute of Certified Public Accountants. The property interest is measured at its estimated fair value upon Completion by reference to (i) the valuation of the Property of approximately HK$816,366,000 as at 30 November 2005 as set out in Appendix IV, taking into account the state of the underlying asset, i.e. the Property upon completion; and (ii) after deducting the Balance Payment of the Property of approximately HK$384,172,000 that will be due for payment by MOIL to the Developer before 30 June 2006 which will be paid after Completion by the Enlarged Group.

   b. The reclassification of the deposit paid for the acquisition of property to property interest upon Completion.

   c. The net present value of the Vendor's Undertaking in respect of the rental yield, reimbursement of the Property Management Fees and the letting commission payable to letting agents which amounts to HK$5,648,000 with reference to the estimated market rentals and occupancy rates, which is considered to be an identifiable asset recognised separately and recorded as a derivative financial instrument in the unaudited pro forma consolidated balance sheet.

   d. The total consideration of HK$344,000,000 that would have been paid by the Group upon Completion after deducting a sum of HK$30,000,000 that would have been retained in respect of all the obligations of the Vendor under the Acquisition Agreement and the professional fees in connection with the Acquisition approximate HK$1,100,000.

e. The excess of the Group's interest in net fair value of identifiable assets, liabilities and contingent liabilities of the Property Group with reference to the property valuation of approximately HK$816,366,000 as set out in Appendix IV and the cost of business combination, which is credited to other reserve as it is a contribution from the Vendor in which the Controlling Shareholder, an equity participant of the Company, and his associates together are indirectly beneficially interested.

f. The elimination of the amount due to immediate holding company upon the acquisition of the outstanding debts owing from HGIL to the Vendor.

g. The sum of HK$30,000,000 included in the total consideration that will be retained by the Purchaser as described in 5.d. above and will be released to the Vendor by three yearly payments of HK$10,000,000 each from the completion of the Pre-Sale Contracts, the estimated present value of which amounts to HK$27,232,000 and is recorded as amount due to a related company in the unaudited pro forma consolidated balance sheet.

h. The effect in relation to deferred tax liability in respect of the property interest.

i. The effect in relation to HGIL and its subsidiary on the adoption of the new or revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2005 as follows:

HKAS 39 Financial Instruments: Recognition and Measurement

Under HKAS 39, derivative financial instrument arising from the Vendor's Undertaking in respect of rental yield, reimbursement of the Property Management Fees and the letting commission payable to letting agents will be classified as "financial assets at fair value through profit and loss" and will be carried at fair value, with change in fair values recognised in the income statement.

The amount due to a related company is classified as financial liability and is initially measured at fair value and is subsequently measured at amortised cost, using the effective interest rate method.

HKAS 40 Investment Property

The property interest of the Acquisition will be held to earn rentals and stated at fair value based on professional valuation at balance sheet date. Gains or losses arising from changes in the fair value of the property will be recognised in the income statement.

Unaudited pro forma consolidated income statement

	Unaudited pro forma consolidated income statement after the Disposal *HK$'000* *(Note 1)*	Consolidated income statement of HGIL *HK$'000* *(Note 2)*	Adjustment for the imputed interest on the completion of the Acquisition *HK$'000* *(Note 3)*	Unaudited pro forma consolidated income statement after the Acquisition *HK$'000*
Turnover	96,377	—	—	96,377
Cost of sales	(80,153)	—	—	(80,153)
Gross profit	16,224	—	—	16,224
Other operating income	4,510	—	—	4,510
Administrative expenses	(24,757)	—	—	(24,757)
Finance costs	—	—	(1,362)	(1,362)
Gain on disposal of investment properties	205,000	—	—	205,000
Gain on dissolution of a subsidiary	1,640	—	—	1,640
Profit before taxation	202,617	—	(1,362)	201,255
Taxation	(10,429)	—	—	(10,429)
Profit for the year	192,188	—	(1,362)	190,826
Minority interests	(2,542)	—	—	(2,542)
Net profit for the year	189,646	—	(1,362)	188,284

Notes:

1. Being the unaudited pro forma consolidated income statement of the Group after the Disposal, which illustrated the effect of the Disposal and the effect on the application of estimated net proceeds from the Disposal to discharge mortgage loans over the Cargo Centre of approximately HK$151,500,000 as if the completion of the Disposal took place on 1 July 2004 and the Mortgage Loans were repaid. Details of which were disclosed in the circular despatched to the shareholders dated 31 October 2005.

2. There was no consolidated income statement of HGIL for the period from 18 August 2005 (date of incorporation) to 31 December 2005 as HGIL and its subsidiary did not generate any income and all their expenses were borne by HGIL's immediate holding company.

3. Being adjustment for the effect of the imputed interest expense on the deferred consideration payable of HK$30,000,000 as explained in Notes 5.d. and 5.g. to the unaudited pro forma consolidated balance sheet.

Unaudited pro forma consolidated cash flow statement

	Consolidated cash flow statement of the Company for the year ended 30 June 2005	Adjustments for consolidation of the cash flows of HGIL	Adjustments for the cash flows in connection with the Acquisition	Unaudited pro forma consolidated cash flow statement after the Acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
OPERATING ACTIVITIES				
Profit from operations	104,813	—	—	104,813
Adjustments for:				
Revaluation increase on investment properties	(80,000)	—	—	(80,000)
Interest income	(1,366)	—	—	(1,366)
Loss on disposal of property, plant and equipment	166	—	—	166
Depreciation	1,593	—	—	1,593
Amortisation of goodwill	161	—	—	161
Allowance for doubtful debts	653	—	—	653
Operating cash flows before movements in working capital	26,020	—	—	26,020
Increase in properties under development	(142,176)	—	—	(142,176)
Decrease in properties held for sale	72,204	—	—	72,204
Increase in trade and other receivables	(9,284)	—	—	(9,284)
Increase in trade and other payables	27,123	—	—	27,123
Increase in pre-sales deposits received	4,603	—	—	4,603
Cash used in operations	(21,510)	—	—	(21,510)
Hong Kong Profits Tax paid	(28)	—	—	(28)
Overseas tax paid	(6,786)	—	—	(6,786)
Interest received	1,366	—	—	1,366
NET CASH USED IN OPERATING ACTIVITIES	(26,958)	—	—	(26,958)
INVESTING ACTIVITIES				
Investment in properties held for development	(1,712)	—	—	(1,712)
Decrease in loan receivables	9,965	—	—	9,965
Increase in pledged bank deposits	(6,476)	—	—	(6,476)
Purchase of property, plant and equivalent	(721)	—	—	(721)
Increase in amounts due from minority shareholders	(113)	—	—	(113)
Proceeds from disposal of property, plant and equipment	305	—	—	305
Purchase of subsidiaries	—	—	(315,100)	(315,100)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	1,248	—	(315,100)	(313,852)

	Consolidated cash flow statement of the Company for the year ended 30 June 2005	Adjustments for consolidation of the cash flows of HGIL	Adjustments for the cash flows in connection with the Acquisition	Unaudited pro forma consolidated cash flow statement after the Acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
FINANCING ACTIVITIES				
New bank loans raised	86,037	—	—	86,037
New loans raised from a related company	3,543	—	—	3,543
Repayment of bank loans	(28,436)	—	—	(28,436)
Repayment of loan from a related company	(37,518)	—	—	(37,518)
Dividends paid	(8,764)	—	—	(8,764)
Interest paid	(7,113)	—	—	(7,113)
NET CASH FROM FINANCING ACTIVITIES	7,749	—	—	7,749
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,961)	—	(315,100)	(333,061)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	119,734	—	—	119,734
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	101,773	—	(315,100)	(213,327)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS				
Bank balances and cash	101,773	—	(315,100)	(213,327)(Note
Bank balances and cash as shown above				(213,327)
Additional cash surplus for the Group as a result of the Disposal				473,500
				260,173

Notes:

1. Being the consolidated cash flow statement of the Company for the year ended 30 June 2005 extracted from Appendix I Section 2.

2. No consolidated cash flows of HGIL for the period from 18 August 2005 (date of incorporation) to 31 December 2005 are shown as there is no cash flow effect after rounding into thousand.

3. Being adjustment to account for the effect to the consolidated cash flows of the Company as a result of the completion of the Acquisition as of 1 July 2004, with reference to the net asset value of HGIL and its subsidiary as at 31 December 2005.

	HK$'000
Property interest	432,194
Derivative financial instrument	5,648
Deferred tax liabilities	(25,399)
Net assets acquired as at 31 December 2005	412,443
Equity participant contribution	(70,111)
	342,332
Satisfied by:	
Cash consideration	314,000
Deferred consideration payable	27,232
Estimated professional fees	1,100
	342,332

4. The bank balances and cash shown above do not take into account the additional cash surplus of approximately HK$473,500,000, being the net proceeds taking into account the cash consideration of HK$650,000,000 received from and the lump sum of rental guarantee payment of HK$18,000,000 payable to the purchaser of the Cargo Centre, the agent's commission of approximately HK$7,000,000 and the effect on the application of the estimated net proceeds from the Disposal to discharge the Mortgage Loans as if the completion of the Disposal took place on 30 June 2005.

2. Comfort letter from the auditors on the unaudited pro forma financial information of the Enlarged Group

Deloitte.
德勤

24 February 2006

The Board of 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 79 to 86 under the heading "Unaudited pro forma financial information of the Enlarged Group" of Appendix III to the circular of the Company dated 24 February 2006 (the "Circular"), in connection with the acquisition of the entire issued share capital of High Grand Investments Limited and outstanding debts owing from High Grand Investments Limited to Eton Properties Group Limited (the "Acquisition"). The unaudited pro forma financial information has been prepared, for illustrative purposes only, to provide information about how the Acquisition might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited 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 unaudited 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.

Basic of opinion

We conducted our work with reference to 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 assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements 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 page 79 of the Circular for illustrative purpose only and, because of its nature, it may not be indicative of:

- the financial position of the Group as at 30 June 2005 or any future date; and
- the financial results and the cash flows of the Group for the year ended 30 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 unaudited 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 Enlarged Group

Business Review

For the year ended 30 June 2003

For the year ended 30 June 2003, the turnover of the Enlarged Group amounted to approximately HK$295 million representing a sharp increase of about 483% over that of the year ended 30 June 2002. It was principally resulted from the booking of sales revenue of 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 86% of the turnover of the Enlarged Group.

Chaoyang Garden

For the year ended 30 June 2003, the Enlarged Group realised a total sum of approximately HK$252 million, from property sales of Phase I and the first two towers of Phase II of Chaoyang Garden. The first two towers of Phase II was completed and delivered in November 2002. As at 30 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 30 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 30 June 2003, the port operations in Tung Kok Tau continued to make steady contributions to the Enlarged Group's operating profits.

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

Cargo Centre

The Cargo Centre had been able to maintain a high level of occupancy of about 91% as at 30 June 2003. However, the rental income had dropped by about 7% as compared with that of the year ended 30 June 2002. Lease renewals had shown signs that the downward rental movement was bottoming out.

For the year ended 30 June 2004

For the year ended 30 June 2004, the turnover of the Enlarged Group amounted to approximately HK$410 million representing a rise of about 39% over that of the year ended 30 June 2003, which primarily resulted from the booking of sales proceeds (by about HK$289 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 89% of the turnover of the Enlarged Group.

Chaoyang Garden

For the year ended 30 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 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 30 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 Enlarged Group paid the balance of land premium of about RMB156 million to secure an area of 171,786 square metres comprising the "red-line" zone of the Tung Kok Tau site having a total re-developable gross floor area of 310,400 square metres. This payment was made necessary by the PRC Central Government implementing strict policy of repossession of all unpaid lands and was funded ultimately by the controlling shareholder of the Company by way of the loan made to the Company as more particularly described in the section headed "Directors' Interests in Contracts and Assets" of Appendix VI to this circular.

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

Cargo Centre

In the year ended 30 June 2004, the Cargo Centre benefited from increases in demand for warehousing space in Hong Kong, due to the buoyancy of re-export and the implementation of CEPA. As a result, the Cargo Centre maintained a high level of occupancy of about 90% as at 30 June 2004. A slight improvement in rental for new and renewed tenancies had helped to improve operating profit marginally.

For the year ended 30 June 2005

For the year ended 30 June 2005, the turnover of the Enlarged Group amounted to approximately HK$127 million, compared to approximately HK$410 million for the year ended 30 June 2004. This decrease was attributable to the fall of revenue (by approximately HK$289 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 30 June 2005, sales proceeds of residential units in Beijing were approximately HK$77 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 PRC Central Government to dampen property speculation recently, about 40% of the residential portion 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 30 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 30 June 2004.

Cargo Centre

For the year ended 30 June 2005, the Cargo Centre maintained virtual full occupancy; rental income and profit from operations before revaluation surplus rose about 12% and 13% respectively. The Cargo Centre was professionally re-appraised at HK$500 million as at 30 June 2005 and a revaluation surplus of HK$80 million was credited to operating profit. Subsequent to 30 June 2005, the Cargo Centre was disposed by the Enlarged Group and completion of the Disposal took place on 30 November 2005.

The Property

Construction of the Property is on schedule and is expected to be completed before 30 September 2006. The Enlarged Group will commence pre-leasing of the Property upon Completion and, upon completion of the Pre-Sale Contracts, there will be rental income generated from the Property for the Enlarged Group as supported by the rental guarantee pursuant to the terms of the Vendor's Undertaking whereby the Vendor has guaranteed that the gross rental income deriving from the Property will not be less than RMB60 million (equivalent to approximately HK$58 million) per annum for a period of three years commencing from completion of the Pre-Sale Contracts. The Vendor's Undertaking also provides for reimbursement of (i) commission paid or payable by the Purchaser or any of its subsidiaries (including the Property Group) to letting agents in respect of any lease or rental agreements in connection with any parts of the Property; and (ii) Property Management Fees as more particularly described in the section headed "Completion" in the "Letter from the Board" in this circular.

Liquidity and financial resources

As at 30 June 2003, the net asset value of the Enlarged Group amounted to approximately HK$723 million, the total cash and bank balances of the Enlarged Group amounted to approximately HK$50 million, total borrowings of the Enlarged Group which were in RMB, US$ and HK$ amounted to approximately HK$190 million and the gearing ratio of the Enlarged Group, calculated as total borrowings over net assets amounted to approximately 26%.

As at 30 June 2004, the net asset value of the Enlarged Group amounted to approximately HK$749 million, the total cash and bank balances of the Enlarged Group amounted to approximately HK$120 million, total borrowings of the Enlarged Group which were in RMB, US$ and HK$ amounted to approximately HK$268 million (comprising bank loans of approximately HK$165 million and loan from a related company of approximately HK$103 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 Enlarged Group, calculated as total borrowings over net assets amounted to approximately 36%.

As at 30 June 2005, the net asset value of the Enlarged Group amounted to approximately HK$831 million, the total cash and bank balances of the Enlarged Group amounted to approximately HK$102 million, total borrowings of the Enlarged Group which were in RMB, US$ and HK$ amounted to approximately HK$292 million (comprising bank loans of approximately HK$224 million and loan from a related company of approximately HK$68 million which loans bear average interest rate of about 2.7% to 6.1% per annum and are repayable either on instalments or in a lump sum within 3 years) and the gearing ratio of the Enlarged Group, calculated as total borrowings over net assets, amounted to approximately 35%.

Subsequent to 30 June 2005, the Disposal was completed on 30 November 2005 and the mortgage loans over the Cargo Centre of approximately HK$152 million was discharged as a result of completion of the Disposal. As at 30 June 2005, assuming that the Disposal and the Acquisition have taken place on 30 June 2005, the net asset value of the Enlarged Group amounted to approximately HK$1,024 million, the total cash and bank balances of the Enlarged Group amounted to approximately HK$260 million, total borrowings of the Enlarged Group which were in RMB, US$ and HK$ amounted to approximately HK$140 million (comprising bank loans of approximately HK$72 million and loan from a related company of approximately HK$68 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 Enlarged Group, calculated as total borrowings over net assets, amounted to approximately 14%.

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

Capital Structure

As at each of 30 June 2003, 30 June 2004 and 30 June 2005, there was no change in the issued share capital of the Company.

Significant investment

Save as mentioned in this section headed "Management discussion and analysis on the Enlarged Group", there was no other significant investment held by the Enlarged Group during each of the years ended 30 June 2003, 2004 and 2005.

Material acquisitions and disposals of subsidiaries and associated companies

There were no material acquisitions and disposals of subsidiaries and associated companies by the Enlarged Group during each of the years ended 30 June 2003, 2004 and 2005. Subsequent to the year ended 30 June 2005, completion of the Disposal took place on 30 November 2005 and the Acquisition Agreement was entered into by the Purchaser, the Vendor and the Guarantor on 5 January 2006.

Employee information

As at 30 June 2003, the Enlarged Group had about 220 employees in Hong Kong and the PRC at prevailing market remunerations with employees benefits such as medical insurance, provident fund schemes and share option scheme.

As at 30 June 2004, the Enlarged Group had about 190 employees in Hong Kong and the PRC at prevailing market remunerations with employees benefits such as medical insurance, provident fund schemes and share option scheme.

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

Charges of Group assets

As at 30 June 2003, the Enlarged Group had its bank deposits of approximately HK$16 million pledged to banks to secure mortgage loans granted to home buyers of Chaoyang Garden.

As at 30 June 2004, the Enlarged Group had its bank deposits of approximately HK$21 million pledged to banks to secure mortgage loans granted to home buyers of Chaoyang Garden.

As at 30 June 2005, the Enlarged Group pledged certain of its assets (including the Cargo Centre) to financial institutions as security against the mortgage loans over the Cargo Centre granted to the Enlarged Group, and also pledged its bank deposits of approximately HK$28 million to banks to secure mortgage loans granted to home buyers of Chaoyang Garden.

Subsequent to 30 June 2005, the mortgage loans over the Cargo Centre of approximately HK$152 million was discharged due to completion of the Disposal which took place on 30 November 2005 as a result of which the Enlarged Group's assets pledged as security against the mortgage loans over the Cargo Centre were released. The Group's current banking facilities are secured by the retail portion of Phase III.

Contingent Liabilities

As at 30 June 2003, the Enlarged Group had contingent liabilities for guarantees given to financial institutions in respect of banking facilities granted to the Enlarged Group which amounted to approximately HK$198 million. In addition, the Enlarged Group had given guarantees in respect of mortgage loans provided by banks to home buyers of Chaoyang Garden in Beijing. As at 30 June 2003, the Enlarged Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of approximately HK$488 million and approximately HK$16 million, respectively.

As at 30 June 2004, the Enlarged Group had contingent liabilities for guarantees given to financial institutions in respect of banking facilities granted to the Enlarged Group which amounted to approximately HK$175 million. In addition, the Enlarged Group had given guarantees in respect of mortgage loans provided by banks to home buyers of Chaoyang Garden in Beijing. As at 30 June 2004, the Enlarged Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of approximately HK$704 million and approximately HK$39 million, respectively. There was a claim against a subsidiary of the Company in the amount of approximately HK$15 million.

As at 30 June 2005, the Enlarged Group had contingent liabilities for guarantees given to financial institutions in respect of banking facilities granted to the Enlarged Group amounted to approximately HK$335 million. In addition, the Enlarged Group had given guarantees in respect of mortgage loans provided by banks to home buyers of Chaoyang Garden in Beijing. As at 30 June 2005, the Enlarged Group and the Company had a maximum amount of mortgage loans (which were subject to these guarantees) of approximately HK$644 million and approximately HK$39 million, respectively. There was a claim against a subsidiary of the Company in the amount of approximately HK$15 million, details of which have been set out in the paragraph headed "Litigation" in Appendix VI to this circular.

Subsequent to 30 June 2005, the mortgage loans over the Cargo Centre of approximately HK$152 million was discharged due to completion of the Disposal which took place on 30 November 2005, as a result of which the Enlarged Group's contingent liabilities for guarantees given to financial institutions in respect of banking facilities granted to the Enlarged Group was reduced to approximately HK$80 million.

Hedging

No financial instruments were used for hedging purposes for each of the years ended 30 June 2003, 2004 and 2005.

The following is the text of a letter and valuation certificate for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, independent valuer, in connection with its valuation of the Property as at 30 November 2005.

savills 第一太平戴維斯

DL: (852) 2801 6100
F: (852) 2530 0756

23/F Two Exchange Square
Central, Hong Kong

24 February 2006

The Directors
Dynamic Holdings Limited
17/F., Eton Tower
8 Hysan Avenue
Causeway Bay
Hong Kong

Dear Sirs

RE: LEVELS 7 TO 22 (WITHOUT LEVELS 13 AND 14), WEST TOWER, ETON PLACE, 69 DONGFANG ROAD, PUDONG NEW AREA, SHANGHAI, THE PEOPLE'S REPUBLIC OF CHINA ("THE PROPERTY")

In accordance with your instructions for us to value the property to be acquired by Dynamic Holdings Limited (the "Company") in the People's Republic of China ("the PRC"), we confirm that we have carried out inspection, 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 interest in the property on completion basis as at 30 November 2005.

Our valuation is our opinion of the market value which we would define as intended to mean "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."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by any one associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In the course of our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the property for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have also assumed that, unless otherwise stated, the owner of the property has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the term as granted.

In the course of our valuation of the market value of the property on completion basis, we have adopted the direct comparison approach by making reference to sales evidence as available on the market by assuming the property has been completed as according to the latest development proposal provided to us without taken into account any outstanding construction costs.

We have been provided with copies of extracts of title documents relating to the property. However, we have not inspected the original documents to verify the ownership or to verify any amendments thereto, which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Company in particular, information regarding the title and other legal matters to the property which was provided by the Company and its legal advisers on PRC laws, Zhong Lun Law Firm, and have accepted advice given to us on matters such as planning approvals or statutory notices, easements, tenure, identification of the property, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the property. We have assumed that the site and floor areas shown on the documents handed to us are correct.

We have inspected the property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from 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 of the property. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In the course of our valuation, we have complied with all the requirements which apply to the valuation of the property under Chapter 5 and Practice Note 12 of the Hong Kong Listing Rules and the HKIS Valuation Standards on Properties (1st Edition) published by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary amounts stated are in Renminbi.

We enclose herewith our valuation certificate.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Note: Charles C K Chan, Chartered Estate Surveyor, *MSc, FRICS, FHKIS, MCIArb, RPS(GP)*, has been a qualified valuer and has about 21 years' experience in the valuation of properties in Hong Kong and has extensive experience in the valuation of properties in the People's Republic of China.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value on completion basis as at 30 November 2005
Levels 7 to 22 (without levels 13 and 14) West Tower Eton Place 69 Dongfang Road Pudong New Area Shanghai The PRC	Eton Place is a large scale hotel/ commercial/ office development erected upon a parcel of land with a site area of approximately 14,149 sq m (152,300 sq ft). It comprises a 24-storey office tower (East Tower) and a 36-storey hotel/office tower (West Tower) erected upon a 5-storey commercial podium plus a 2-level commercial/car park basement to be completed in 3rd quarter of 2006. The property comprises 182 office units located on the 7th to 22nd levels (without 13th and 14th levels) of the West Tower of Eton Place with a total gross floor area of approximately 30,188 sq m (324,944 sq ft) and is designated for office use. The property is held under land use rights for a term of 50 years commencing from 30 September 2003 and expiring on 29 September 2053 for commercial/office use.	The property is under internal and external decoration works.	RMB850,000,000

Notes:

1. Pursuant to the Shanghai Certificate of Real Estate Ownership 滬房地浦字(2004)第100106號 (Hu Fang Di Pu Zi No. (2004)100106) issued by Shanghai Pudong New Area Municipality Registrar of Real Estate on 16 September 2004, the land use rights of the property is vested in 上海齊茂房地產開發有限公司 (Shanghai Supreme Trade Property Development Co., Ltd.) for a term of 50 years commencing from 30 September 2003 and expiring on 29 September 2053 for commercial/office use.

2. Pursuant to the Planning Permit for Construction Land 滬地浦(03)46號 (Hu Di Pu (03) No. 46) issued by Shanghai Pudong New Area Planning Administrative Bureau on 15 May 2003, 上海齊茂房地產開發有限公司 (Shanghai Supreme Trade Property Development Co., Ltd.) is permitted to use a parcel of land located at Dongfang Road in Pudong New Area of Shanghai with a site area of 14,149 sq m for construction.

3. Pursuant to the Construction and Engineering Planning Certificate 滬浦建(03) 326號 (Hu Pu Jian (03) No. 326) issued by Shanghai Pudong New Area Planning Administrative Bureau on 29 December 2003, 上海齊茂房地產開發有限公司 (Shanghai Supreme Trade Property Development Co., Ltd.) has obtained the planning permit of the construction works of the basement of Eton Place.

4. Pursuant to the Permit for Commencement of Construction Works issued by Shanghai Pudong New Area Construction Bureau on 29 December 2003, 上海齊茂房地產開發有限公司 (Shanghai Supreme Trade Property Development Co., Ltd.) is permitted to commence the construction works of the groundwork of Eton Place.

5. Pursuant to the Sub-page of Permit of Commencement of Construction Works for Construction Phases/Parts issued by Shanghai Pudong New Area Construction Bureau on 17 January 2004, 上海齊茂房地產開發有限公司 (Shanghai Supreme Trade Property Development Co., Ltd.) is permitted to commence the construction works of the basement of Eton Place.

6. Pursuant to the Construction and Engineering Planning Certificate 滬浦建(04) 201號 (Hu Pu Jian (04) No. 201) issued by Shanghai Pudong New Area Planning Administrative Bureau on 11 October 2004, 上海齊茂房地產開發有限公司 (Shanghai Supreme Trade Property Development Co., Ltd.) has obtained the planning permit of the construction works of Eton Place.

7. Pursuant to the Sub-page of Permit for Commencement of Construction Works for Construction Phases/Parts issued by Shanghai Pudong New Area Construction Bureau on 18 October 2004, 上海齊茂房地產開發有限公司 (Shanghai Supreme Trade Property Development Co., Ltd.) is permitted to commence the construction works of the above-ground part of Eton Place.

8. Pursuant to the Pre-sale Permit of Shanghai Commodity Housing 浦東新區房地(2005)預字0001769號 (Pu Dong Xin Qu Fang Di (2005) Yu Zi No. 0001769) issued by Shanghai Pudong New Area Construction Bureau on 22 December 2005, 上海齊茂房地產開發有限公司 (Shanghai Supreme Trade Property Development Co., Ltd.) is permitted to pre-sell the property with a gross floor area of approximately 30,188 sq m.

9. As advised by the Group, the property will be held for investment.

10. Pursuant to the Business License 企獨滬浦總字第310380號(浦東) (Qi Du Hu Pu Zong Zi No. 310380 (Pudong)) dated 5 June 2003, 上海齊茂房地產開發有限公司 (Shanghai Supreme Trade Property Development Co., Ltd.) was established on 14 November 1995 with a registered capital of US$29,600,000 for a period from 14 November 1995 to 13 November 2045.

11. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following information:

    (i) 上海齊茂房地產開發有限公司 (Shanghai Supreme Trade Property Development Co., Ltd.) has been granted the land use rights of a parcel of land with site area of 14,149 sq.m. for a term commencing from 30 September 2003 and expiring on 29 September 2053 for commercial/office use.

    (ii) 上海齊茂房地產開發有限公司 (Shanghai Supreme Trade Property Development Co., Ltd.) has been granted the Pre-sale Permit of Shanghai Commodity Housing of the property and can pre-sell the property provided that such property has not been pre-sold.

The following is the text of a letter, summary of values and valuation certificates for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, independent valuer, in connection with its valuation of the property interests of the Group as at 30 November 2005.

savills
第一太平戴維斯

DL: (852) 2801 6100
F: (852) 2530 0756

23/F Two Exchange Square
Central, Hong Kong

24 February 2006

The Directors
Dynamic Holdings Limited
17/F., Eton Tower
8 Hysan Avenue
Causeway Bay
Hong Kong

Dear Sirs

RE: (1) A SITE LOCATED IN TUNG KOK TAU, SHEKOU, NANSHAN DISTRICT, SHENZHEN, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA ("PROPERTY 1")

(2) UNSOLD PORTION OF PHASE I (CHAOYANG GARDEN), PHASE II (THE SUN CREST) AND PHASE III OF A DEVELOPMENT SITUATED AT 25 NAN LANE GANLOUYUAN CHAOYANG DISTRICT, BEIJING CITY, THE PEOPLE'S REPUBLIC OF CHINA ("PROPERTY 2")

In accordance with your instructions for us to value the captioned property interests (herewith together referred to as the "properties") held by Dynamic Holdings Limited (the "Company") and its subsidiaries (herewith together referred to as the "Group") in the People's Republic of China ("the PRC"), we confirm that we have carried out inspection, 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 values of the property interests of the Group as at 30 November 2005.

Our valuation is our opinion of the market value which we would define as intended to mean "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."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In the course of our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the properties for respective specific terms at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have also assumed that, unless otherwise stated, the owners of the properties have enforceable title to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the terms as granted.

We have valued Property 1 which is held by the Group for future development on the basis that it will be developed and completed in accordance with the latest development proposals provided to us. We have assumed that approvals for the proposal have been obtained. In the course of valuation of Property 2 which is held by the Group for sale, we have valued it on its existing state basis. In arriving at our valuation, we have adopted the direct comparison approach by making reference to market evidence as available on the market. In the meantime, we have also taken into account any outstanding construction costs.

We have been provided with copies of extracts of title documents relating to the properties. However, we have not inspected the original documents to verify the ownership or to verify any amendments thereto, which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and its legal advisers on PRC Law, Jing Tian Law Firm and Junyi Law Office regarding the titles and other legal matters to the properties and have accepted advice given to us on matters such as planning approvals or statutory notices, easements, tenure, identification of the properties, expended and outstanding construction costs, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the properties. We have assumed that the site and floor areas shown on the documents handed to us are correct.

We have inspected the exteriors and, where possible, the interiors of the properties. Moreover, no structural survey has been made. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects, nor were any tests carried out to any of the services. We have not carried out investigations on site to determine the suitability of the ground conditions and the services etc for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

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

In the course of valuation, we have complied with all the requirements which apply to the valuation of the Group's properties under Chapter 5 and Practice Note 12 of the Hong Kong Listing Rules and the HKIS Valuation Standards on Properties (1st Edition) published by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary amounts stated are in Renminbi.

We enclose herewith our summary of values and valuation certificates.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

Note: Charles C K Chan, Chartered Estate Surveyor, *MSc, FRICS, FHKIS, MCIArb, RPS(GP),* has been a qualified valuer and has about 21 years' experience in the valuation of properties in Hong Kong and has extensive experience in the valuation of properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 30 November 2005	Interest attributable to the Group	Market Value attributable to the Group
(1)	A site located in Tung Kok Tau, Shekou, Nanshan District, Shenzhen, Guangdong Province, the PRC	RMB535,000,000	80%	RMB428,000,000
(2)	Unsold portion of Phase I (Chaoyang Garden), Phase II (The Sun Crest) and Phase III of a development situated at 25 Nan Lane Ganlouyuan, Chaoyang District, Beijing City, the PRC	RMB655,000,000	95%	RMB622,250,000
	Total:	**RMB1,190,000,000**		**RMB1,050,250,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2005
(1)	A site located in Tung Kok Tau Shekou, Nanshan District Shenzhen Guangdong Province The PRC	A massive comprehensive development is planned to be constructed on an irregular-shaped level site located at the junction of Houhaibin Road and Donggang Road, situated within Shekou Area in the southern part of Nanshan District in Shenzhen. The total area of the site of the property is approximately 171,786 sq.m. (1,849,105 sq.ft.) among which approximately 120,000 sq.m. (1,291,680 sq.ft.) is required to be reclaimed according to the development plan provided. The property is scheduled to be built with high-rise residential towers, multi-storey residential towers, villas, a hotel, a commercial building and ancillary facilities such as market and schools. The total planned gross floor area of the property is approximately 310,400 sq.m. (3,341,146 sq.ft.). As advised by the Group, the total construction period is about 5 years. The property is held under land use rights for a term of 70 years commencing from 18 November 1999 and expiring on 17 November 2069 for passenger terminal, yacht clubhouse, residential and ancillary uses.	Currently there are some single to three-storey temporary buildings of simple concrete/steel sheet structures erected thereon. The site of the property is currently occupied as a terminal and for ancillary uses.	RMB535,000,000 (80% interest attributable to the Group: RMB428,000,000)

Notes:

1. Pursuant to the Land Use Rights Transfer Contract 深地合字(1999)0085號 and the Memorandum both entered into between Shenzhen Land Administrative Bureau (Party A) and 深圳圳華港灣企業有限公司 (Shenzhen Zhen Wah Harbour Enterprises Ltd.) (Party B) (an 80%-owned subsidiary company of the Company) on 18 November 1999, Party A agreed to grant the land use rights of the land of the property with a site area of 171,786 sq.m. to Party B for a term of 70 years commencing from 18 November 1999 and expiring on 17 November 2069 for passenger terminal, yacht clubhouse, residential and ancillary uses.

2. In the course of our valuation, we have taken into account the total development costs of about RMB1,112,000,000 required for the construction of the proposed development in accordance with the information provided by the Group.

3. As advised by the Group, the development upon completion will be held for sale purpose.

4. We have valued the property in accordance with the previous development proposal approved in 1995 by Shenzhen Planning and State-owned Land Bureau as provided by the Group which is still valid. As advised by the Group, the development proposal of the property is under revision by the relevant government authority and the Group shall accommodate improvement to the city planning of Nanshan District.

5. We have been provided with legal opinions on the title to the property issued by the Group's PRC legal advisers, which contain, inter alia, the following information:-

   (i) 深圳圳華港灣企業有限公司 (Shenzhen Zhen Wah Harbour Enterprises Ltd.) has been granted the land use rights of the property for a term of 70 years commencing from 18 November 1999 and expiring on 17 November 2069 for passenger terminal, yacht clubhouse, residential and ancillary uses.

   (ii) All land premium of the property has been fully settled.

   (iii) According to the PRC laws, there shall be no legal impediment for 深圳圳華港灣企業有限公司 (Shenzhen Zhen Wah Harbour Enterprises Ltd.) to register the land use rights and obtain the relevant Realty Title Certificate for the property, upon settlement of or waiver being granted by the relevant government authority for overdue charges for land premium.

   (iv) As 深圳圳華港灣企業有限公司 (Shenzhen Zhen Wah Harbour Enterprises Ltd.)has acquired the land use rights of the property legally, after 深圳圳華港灣企業有限公司 (Shenzhen Zhen Wah Harbour Enterprises Ltd.) has obtained the relevant Realty Title Certificate, the land of the property can be transferred, leased or mortgaged to third party.

6. As advised by the Group, as at the date of this letter, the Group is under negotiation with the relevant authority for the waiver of all the overdue charges and has applied for a waiver of the settlement of the overdue charges for land premium.

VALUATION CERTIFICATE

<table>
<tr><th></th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market value in existing state as at 30 November 2005</th></tr>
<tr>
<td>(2)</td>
<td>Unsold Portion of Phase I (Chaoyang Garden) Phase II (The Sun Crest) and Phase III of a development situated at 25 Nan Lane Ganlouyuan Chaoyang District Beijing City The PRC</td>
<td>
The development is a large-scale commercial/ residential composite development comprising 3 phases ("Development") erected on a rectangular shaped levelled site with a site area of approximately 40,939 sq.m. (440,667 sq.ft.).
The property comprises the unsold portions of each phase of the Development. Phase I of the Development, named as Chaoyang Garden, comprises three 29 to 31 storey residential towers (known as Towers 3, 4 and 5). The residential Towers 3, 4 and 5 were completed in September 1999, December 1999 and December 2000 respectively. The approximate gross floor area of the towers is listed as follows:
Phase I
<table>
<tr><th>Use</th><th>Approximate Gross Floor Area</th><th></th></tr>
<tr><td></td><td>(sq.m.)</td><td>(sq.ft.)</td></tr>
<tr><td>Residential</td><td>76,715</td><td>825,760</td></tr>
<tr><td>Basement</td><td>14,021</td><td>150,922</td></tr>
<tr><td>Sub-Total</td><td>90,736</td><td>976,682</td></tr>
</table>
Phase I comprises a total of approximately 190 car parking spaces in basement level. Portions of Phase I have been sold and the remaining unsold portion of Phase I includes an approximate total gross floor area of 7,270 sq.m. (78,254 sq.ft.) and all the car parking spaces.
</td>
<td>
Portion of Towers 3, 4 and 5 of Phase I have been sold. The remaining portion of Towers 3, 4 and 5 is currently either leased or vacant with the leased portion with an approximate gross floor area of 1,555 sq.m. is subject to various tenancies with the latest expiry date in February 2007 yielding a total monthly rental of about RMB91,500. The remaining vacant potion has an approximate gross floor area of 5,715 sq.m.
Portion of Phases II and III has been sold and the remaining portion is vacant.
</td>
<td>
RMB655,000,000
(95% interest attributable to the Group: RMB622,250,000)
</td>
</tr>
</table>

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2005

Phase II of the Development, named as the Sun Crest, comprises four high-rise residential towers (known as Towers 1, 2, 6 and 7). Towers 1 and 2 were completed in October 2002 and Towers 6 and 7 were completed in October 2003. The approximate gross floor area of the towers is listed as follows:

Phase II

Use	Approximate Gross Floor Area	
	(sq.m.)	*(sq.ft.)*
Residential	95,460	1,027,531
Basement	23,322	251,038
Sub-Total:	118,782	1,278,569

Portion of Phase II have been sold and the remaining unsold portion has an approximate total gross floor area of 8,985 sq.m. (96,715 sq.ft.) and approximately 536 car parking spaces in basement level.

Phase III of the Development has been developed into a commercial/residential composite complex with the residential portion completed in 2005 and the retail portion completed in 2006. The approximate gross floor area is listed as follows:

Phase III

Use	Approximate Gross Floor Area	
	(sq.m.)	*(sq.ft.)*
Commercial/residential (L1 to L30)	45,737	492,313
Commercial/Car park (Basement)	12,174	131,041
Ancillary	874	9,408
	58,785	632,762

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2005
	Phase III also comprise approximately 185 car parking spaces in basement level. Portion of residential portion of Phase III have been sold whilst the remaining unsold residential portion has an approximate total gross floor area of 22,401 sq.m. (241,124 sq.ft.). The unsold portion of Phase III also comprises all the commercial area and approximately 185 car parking spaces in basement level. Beijing Longfast Property Development Co., Ltd has been granted with the land use rights of the property for terms of 40 years for commercial use and underground commercial use, 70 years for residential use and 50 years for underground car parking use commencing from 19 October 1995.		

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate 市朝中外國用(96)字第00183號 (Shi Chao Zhong Wai Guo Yong (96) Zi No. 00183) issued by Beijing Building and Land Administration Bureau dated 21 March 1996, Beijing Longfast Property Development Co., Ltd. (a 95%-owned subsidiary of the Company) has been granted a land use rights of the site of the Development with an area of 37,233 sq.m.

   Pursuant to two State-owned Land Use Rights Certificates 京市朝港澳台國用(2002出)字第10253號 (Jing Shi Chao Gan Ao Tai Guo Yong (2002 Chu) Zi Di No. 10253) and 京市朝港澳台國用(2003出)字第10311號 (Jing Shi Chao Gan Ao Tai Guo Yong (2003 Chu) Zi Di No. 10311) issued on 29 August 2002 and 8 December 2003 respectively, the land use rights of two parcels of land with site areas of 14,524 sq.m. and 13,957 sq.m. are granted to Beijing Longfast Property Development Co., Ltd. As advised by the Group, the two parcels of land are the lands of Phases I and II of the Development.

Uses	Terms
Commercial	40 years commencing from 19 October 1995 to 18 October 2035.
Residential	70 years commencing from 19 October 1995 to 18 October 2065.
Office	50 years commencing from 19 October 1995 to 18 October 2045.

2. Pursuant to a Contract for Grant of State-owned Land Use Rights 京房地出讓[合]字(94)第056號 (Jing Fang Di Chu Rang (He) Zi (94) No. 056) on 8 September 1994 and three supplemental agreements entered into between Beijing Real Estate Administration Bureau and Beijing Longfast Property Development Co., Ltd., the land use rights of a site with an area of approximately 37,233 sq.m. has been granted to Beijing Longfast Property Development Co., Ltd. for a term up to 40 years, 70 years and 50 years for commercial, residential and office usage, respectively, all commencing from the date of issuance of Land Use Rights Certificate.

3. Pursuant to a Supplementary Contract entered into between Beijing State Land Resource Bureau and Beijing Longfast Property Development Co., Ltd. on 6 January 2006, the site area of the land granted to Beijing Longfast Property Development Co., Ltd. has been increased from 37,233 to 40,939 sq.m. with an additional land premium of RMB902,397 to be settled within 60 days from the date of the contract. The land use rights have been granted with terms of 40 years for commercial and underground commercial uses, 70 years for residential use and 50 years for underground car parking use.

   As advised by the Group, the additional land premium has been fully paid and the application of the relevant new State-owned Land Use Right Certificate is under processing.

4. Pursuant to three Building Ownership Certificates 京房權証市朝港澳台字第10193號 (Jing Fang Quan Zheng Shi Chao Gang Ao Tai Zi Di No. 10193), 京房權証市朝港澳台字第10216號 (Jing Fang Quan Zheng Shi Chao Gang Ao Tai Zi Di No. 10216) and 京房權証市朝港澳台字第10285號 (Jing Fang Quan Zheng Shi Chao Gang Ao Tai Zi Di No. 10285) issued on 29 August 2002, 10 December 2003 and 23 January 2006 respectively, the building ownership of Phases I, II and III of the Development is vested in Beijing Longfast Property Development Co., Ltd. with total gross floor areas of 90,736 sq.m., 118,782 sq.m. and 58,785 sq.m. respectively and the site area of Phase III is 12,459 sq.m.

5. Pursuant to two copies of Construction Land Planning Permits dated 2 September 1994 and 9 March 1995 respectively, both issued by Beijing Planning Administration Bureau, Beijing Longfast Property Development Co., Ltd. has been approved to develop portion of the site of the Development with an area of 27,000 sq.m. for high class residential development and portion of the site of the Development with an area of 10,233 sq.m. for "commercial/residential" composite development.

6. Pursuant to the Certificate of Compliance of Construction Work dated 1 September 1999, construction of Tower 3 of the Development with a scale of construction of 25,289 sq.m. has been completed and complied with the relevant rules.

7. Pursuant to the Certificate of Compliance of Construction Work dated 27 December 1999, construction of Tower 4 of the Development with a scale of construction of 24,506 sq.m. has been completed and complied with the relevant rules.

8. Pursuant to Construction Work Planning Permit dated 21 December 2000, Beijing Longfast Property Development Co., Ltd. has been approved to develop Towers 1, 2, 6 and 7 of the Development with a scale of construction of 115,693 sq.m.

9. Pursuant to the Certificate of Compliance of Construction Work dated 22 December 2000, issued to Beijing Longfast Property Development Co., Ltd., construction of Tower 5 and the basement of the Development with a scale of construction of 39,640 sq.m. for residential use has been completed and complied with the relevant rules.

10. Pursuant to the Commencement of Construction Work Certificate dated 19 April 2001, Beijing Longfast Property Development Co., Ltd. has been approved to construct Towers 1, 2, 6 & 7 of the Development with a scale of construction of 115,693 sq.m.

11. Pursuant to the Examination Memorandum of Completion of Construction Works dated 30 October 2002, construction of Towers 1 and 2 of the Development has been completed.

12. According to the Notification of Approved Development Proposal issued by Beijing Planning Committee on 2 June 2003, the development proposal of Phase III of the Development with the following details has been approved.

(i)	Site area	:	11,200 sq.m.
(ii)	Gross floor area	:	47,423 sq.m. above ground level (29,131 sq.m. for apartment and 18,292 sq.m. for commercial) 22,352 sq.m. underground level (in which 2,642 sq.m. for commercial)

13. Pursuant to the Construction Work Planning Permit No. 2003 (1189) dated 4 September 2003, Beijing Longfast Property Development Co., Ltd. has been approved to develop Phase III of the Development with a scale of construction of 69,775 sq.m.

14. Pursuant to the Examination Memorandum of Completion of construction Works dated 20 October 2003, construction of Towers 6 and 7 of the Development has been completed.

15. Pursuant to the Permit for Pre-sale of Commodity House issued by Beijing Building Authority dated 24 February 2005, Beijing Longfast Property Development Co., Ltd. has been approved to pre-sell Phase III of the Development with a total gross floor area of 28,232 sq.m. (L5 to L30).

16. According to the information provided, portion of Phases I, II and III of the Development have been sold and our opinion of value for the property comprises the un-sold portion of the Development. The details of the unsold residential and commercial portion Phase I to III are listed as follows:

	Approximate Gross Floor Area	
	sq.m.	*sq.ft.*
Phase I		
Residential Tower 3	2,781	29,935
Residential Tower 4	2,463	26,512
Residential Tower 5	2,026	21,808
Phase II		
Residential Tower 1	2,161	23,261
Residential Tower 2	1,674	18,019
Residential Tower 6	1,786	19,225
Residential Tower 7	3,364	36,210
Phase III		
Commercial	22,185	238,799
Residential	22,401	241,124
Total:	60,841	654,893

The remaining portion of Phase I also includes 190 covered car parking spaces in the basement, the remaining portion of Phase II includes 536 covered car parking spaces in the basement whilst the remaining portion of Phase III includes about 185 car parking spaces in the basement.

In arriving the valuation of RMB655,000,000 for the Development in respect of the unsold portion, we have taken into account the outstanding construction costs of the Development of about RMB68,740,000 as provided to us.

17. We have been provided with a legal opinion on the title to the Development issued by the Group's PRC legal advisers, which contains, inter alia, the following information:-

(i) Beijing Longfast Property Development Co., Ltd. has been granted the State-owned Land Use Rights Certificate for the whole of the Development for a site area of 37,233 sq.m. and the relevant State-owned Land Use Rights Certificates for Phases I and II of the Development.

(ii) Beijing Longfast Property Development Co., Ltd. has entered into a supplemental contract with Beijing State Land Resource Bureau on 6 January 2006 to change the site area from 37,233 sq.m. to 40,939 sq.m. for commercial, residential, underground commercial and underground car parking uses with land use terms of 40 years, 70 years, 40 years and 50 years respectively commencing from 19 October 1995. Beijing Longfast Property Development Co., Ltd. has fully paid the additional land premium and the application for the new State-owned Land Use Rights Certificate for Phase III of the Development is now processing. There shall be no legal impediment for Beijing Longfast Property Development Co., Ltd. to obtain the State-owned Land Use Rights Certificate for Phase III of the Development. Beijing Longfast Property Development Co., Ltd. has acquired the Building Ownership Certificate for Phase III of the Development (as stated in the Building Ownership Certificate, the site area of Phase III of the Development is 12,459 sq.m.)

(iii) Beijing Longfast Property Development Co., Ltd. is entitled to transfer, lease or mortgage the completed portion of the property to any third parties.

(iv) Level 1 to Level 4 of Phase III of the Development is subject to a mortgage in favour of China Minsheng Banking Corporation Limited.

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 interest	Approximate shareholding percentage (%)
Mr. CHUA Domingo	the Company	93,321,279 Shares	Personal interest (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 interest	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 Enlarged Group:

Name	Name of company	No. of issued shares held (long position)	Capacity and nature of interest	Approximate shareholding percentage (%)
Carnation Investments Inc.	the Company	89,321,279 Shares	Interest of controlled corporation *(Note 1)*	40.77
Plus Holdings Limited	the Company	13,152,000 Shares	Interest of controlled corporation *(Note 2)*	6

Name	Name of company	No. of issued shares held (long position)	Capacity and nature of interest	Approximate shareholding percentage (%)
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 CONTRACTS

As the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years preceding the issue of this circular and are or may be material:

(a) a conditional agreement dated 4 October 2005 entered into between Yonderille Developments Limited (an indirect wholly-owned subsidiary of the Company), as the vendor and Macquarie Goodman DCC Investments Limited, as the purchaser, for the disposal of the Cargo Centre in Hong Kong by Yonderille Developments Limited to Macquarie Goodman DCC Investments Limited at a consideration of HK$650 million;

(b) the Acquisition Agreement; and

(c) the Pre-Sale Contracts.

5. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, no member of the Enlarged 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 Enlarged Group:

On 18 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 5 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 Enlarged 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 Enlarged Group (excluding contracts expiring or determinable by the Enlarged Group within one year without payment of compensation, other than statutory compensation).

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practical Date, the following Directors of the Company are 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 the Listing Rules.

Mr. CHUA Domingo, Mr. PANG Kit Man, John, Mr. TANENGLIAN Mariano Chua and Mr. CHEUNG Chi Ming (the "**Relevant Directors**") hold directorships and/or interests (either as beneficiaries or nominees) respectively in certain private companies (the "**Private Companies**") which are engaged in property investment and property development in Hong Kong, Shanghai (being Eton Place), Xiamen, Dalian and Beijing in the PRC for various uses including office, commercial, hotel and residential uses (the "**Excluded Business**"). The investment properties of the Private Companies are situated in Hong Kong and Xiamen while the development properties of the Private Companies are situated in Shanghai, Xiamen, Dalian and Beijing. The Relevant Directors confirmed that some of the properties in the Private Companies (in particular for those situated in Xiamen, Dalian and Beijing) are still under very preliminary construction stage. The Relevant Directors further confirmed that the unsold portion of the office units of East Tower of Eton Place are mainly held for sale purpose.

In view of the (i) different location (for properties situated in Hong Kong, Xiamen and Dalian), and (ii) different target segment (East Tower of Eton Place being held for sale purpose while the Property is principally held for rental purpose) of the properties owned by the Private Companies and those of the Group, the Directors do not consider the personal interest held by the Relevant Directors in the Private Companies as competing in practice with those of the Group.

In addition, the Excluded Business, in which the Relevant Directors are regarded to be interested, is managed by companies with independent management and administration. On this basis, the Directors believe that the Enlarged Group is capable of carrying on its business independently of, and at arm's length from, the Excluded Business.

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

8. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, so far as the Directors were aware and save as disclosed herein:

(i) none of Directors or their associates had any direct or indirect interest in any assets which have been, since 30 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 Enlarged Group; and

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

On 29 December 2003, a loan agreement was entered into between the Company as borrower and Speedy Return Investments Limited (the "**Lender**") as lender. The Lender was a company beneficially, indirectly and wholly owned by Mr. CHUA Domingo, the Chairman of the Company and the 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 US$23 million to finance general working capital of the Group. The loan was unsecured at an annual interest rate of LIBOR plus 2.125%, for a term of 2 years from 29 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 on the same terms pursuant to a supplemental agreement dated 12 October 2005. As at 31 December 2005, the drawn loan amounted to approximately US$1.3 million and interest thereon amounted to approximately US$0.9 million.

9. EXPERTS AND CONSENT

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

Name	**Qualification**
Deloitte Touche Tohmatsu	Certified Public Accountants
SinoPac Securities (Asia) Limited	a licensed corporation under the SFO and engaged in types 1, 4, 6 and 9 regulated activities
Savills Valuation and Professional Services Limited	Professional Surveyors and Property Valuers
Zhong Lun Law Firm	legal adviser on PRC law
Jing Tian Law Firm	legal adviser on PRC law
Junyi Law Office	legal adviser on PRC law

(ii) As at the Latest Practicable Date, none of Deloitte Touche Tohmatsu, SinoPac Securities (Asia) Limited, Savills Valuation and Professional Services Limited, Zhong Lun Law Firm, Jing Tian Law Firm or Junyi Law Office had any shareholding, directly or indirectly, in any member of the Enlarged 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 Enlarged Group.

(iii) Each of Deloitte Touche Tohmatsu, SinoPac Securities (Asia) Limited, Savills Valuation and Professional Services Limited, Zhong Lun Law Firm, Jing Tian Law Firm and Junyi Law Office 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, none of Deloitte Touche Tohmatsu, SinoPac Securities (Asia) Limited, Savills Valuation and Professional Services Limited, Zhong Lun Law Firm, Jing Tian Law Firm or Junyi Law Office had any indirect interest in any assets which have been, since 30 June 2005 (being the date to which that 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 Enlarged 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 member of the Hong Kong Institute of Certified Public Accountants.

(iii) The Company's branch share registrars and transfer office are Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, 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 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 "Letter from the Independent Board Committee" as set out in this circular;

(iii) the "Letter from the Independent Financial Adviser" as set out in this circular;

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

(v) the accountants' report on the Property Group set out in Appendix II to this circular;

(vi) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Enlarged Group upon the completion of the Acquisition as set out in Appendix III to this circular;

(vii) the letters and valuation certificates prepared by Savills Valuation and Professional Services Limited as set out in Appendices IV and V to this circular;

(viii) the material contracts referred to under the section headed "Material Contracts" in this Appendix;

(ix) the Deed of Mutual Covenant;

(x) the letters of consent referred to in the section headed "Experts and Consent" in this Appendix;

(xi) the circular of the Company dated 31 October 2005 regarding the Disposal; and

(xii) 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 Monday, 13 March 2006 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without modifications, as an ordinary resolution of the Company:

"**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 the purpose of identification) dated 5 January 2006 made between a wholly-owned subsidiary of the Company, Glory Diamond Inc. (the "**Purchaser**") as purchaser, Eton Properties Group Limited (the "**Vendor**") as vendor and Eton Properties Limited (the "**Guarantor**") as guarantor relating to the sale and purchase of the entire issued share capital of High Grand Investments Limited ("**HGIL**") and all the outstanding debts owing from HGIL to the Vendor as at the date of completion of the Agreement, 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 24 February 2006 (the "**Circular**", a copy of which has been produced to the Meeting and marked "B" and initialled by the Chairman of the Meeting for the purpose of identification) be and are hereby generally and unconditionally approved, ratified and confirmed;

(b) any one Executive 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 thereunder or incidental to 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;

(c) the Continuing Connected Transactions (as defined in the Circular) relating to the management of 裕景國際商務廣場 (Eton Place), situated at No. 69 Dongfang Road, Pudong New Area, Shanghai, the People's Republic of China (the "**Eton Place**") by 伊頓物業管理(上海)有限公司 (Eton Property Management (Shanghai) Company Limited), an indirect wholly-owned subsidiary of the Vendor, be and are hereby approved, ratified and confirmed;

(d) the fixing of the maximum amount of the property management fees payable by the Purchaser or its subsidiaries to 伊頓物業管理(上海)有限公司 (Eton Property Management (Shanghai) Company Limited) pursuant to the Deed of Mutual Covenant (as defined in the Circular) in the sum of HK$12 million for each of the two financial years ending 30 June 2008 and in the sum of HK$3 million for the financial year ending 30 June 2009 be and are hereby approved; and

(e) any one Executive 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 Continuing Connected Transactions and all other matters contemplated thereunder and incidental thereto."

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

Hong Kong, 24 February 2006

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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time for holding the Meeting or any adjourned meeting thereof (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.