Message from the Chief Executive Officer

On behalf of the board of directors, I hereby present the annual report of Dynamic Global Holdings Limited ("the Company") and its subsidiaries (together the "Group") for the year ended 31 December 2001.

RESULTS

The Group recorded an audited consolidated turnover and net loss of HK$32,582,000 (2000: HK$119,537,000) and HK$367,886,000 (2000: HK$56,373,000), respectively, for the year ended 31 December 2001.

BUSINESS REVIEW

During the year, the Group made provisions for various assets, including the property projects under development and held for sales of HK$100,483,000, interests in associates of HK$46,612,000, long term investments of HK$9,683,000, bad debts of HK$51,394,000, fixed assets of HK$27,386,000 and impairment of goodwill arising from the acquisitions of an associate and subsidiaries previously dealt with in reserves of HK$26,027,000, which was the principal reason for the enlarged loss. Moreover, the Group is committed to continue eliminating unhealthy assets on a selective basis with a view to strengthening its financial position for future business development.

In 2000, when the information technology business sector was flourishing, the Group invested in a number of projects with high potential. However, the bursting of the information technology bubble adversely affected the performance of the Group's substantial investment in the information technology companies in 2000. As a result, the Group reacted promptly to the situation, terminating investment projects that performed poorly to alleviate the Group's losses and uncertainty risks. These projects included iMall123.com Ltd, Hercules Information Technology Limited, Victory Tech Investment Limited, Well Known Technology Limited and Lawsons Infotech (Holdings) Corporation.

However, the Group believes that software applications and systems integration in the People's Republic of China ("PRC") still possess high potential for development. The Group's investment in Beijing Zotn Digital Technologies, Inc. ("Zotn Digital") has successfully developed some exclusive software under its popular "Talent Series" and "Zotn Series". Hence, the Group expects Zotn Digital to have a promising development capacity, generating reasonable returns on the Group's investment.

With regard to investments in infrastructure, the operation of the toll bridge in Zhang Jia Kou continued to generate stable income for the Group for the year ended 31 December 2001 but competition had became more intense. After thorough consideration, the Group entered into an agreement in December 2002 to dispose of the holding entity of the Zhang Jia Kou toll bridge, Acot Company Limited, as well as three other wholly owned subsidiaries of the Group. The transaction was completed in March 2003.

In addition, due to the less than satisfactory economic benefits generated from the ski operations in Yabuli, Heilongjiang, the management decided to terminate its operation and has entered into a sale and purchase agreement for the sale of the entire project to an independent third party, but the transaction is yet to be completed.

PROSPECTS AND OUTLOOK

The Group strongly believes that, after terminating the under-performing investment projects together with the general re-structuring of the Group's business, its resources will be utilized more effectively to develop other investment projects with high potential, re-consolidating the Group's business foundations for future development. In view of the current economic downturn, the Group will adopt a prudent approach in implementing investment strategies.

The Group has recently signed a sales agency contract with a property agency company in Shanghai for the sale of the Group's Fairyoung Building located at the junction of Pudong Avenue and Taolin Road in Shanghai, the PRC, which is expected to commence shortly. It is expected that revenue to be generated from property sales will increase, and hence the Group's liquidity will be improved significantly, paving ways for future business development.

EXPLANATION OF THE BOARD OF DIRECTORS TO THE MATTERS MENTIONED IN THE REPORT OF THE AUDITORS

The auditors have audited the financial statements for the year ended 31 December 2001 and issued an audit report with a disclaimer opinion on the financial statements. Given the unfavourable conditions experienced by the Group during the year under review, the Board of Directors considers that the qualification is understandable. In respect of the matters mentioned in the report of the auditors, the Board of Directors set out their comments as follows:

1. Due to significant staff and management turnover within the Group over the recent years, the Group has found it difficult to obtain some information from certain of our subsidiaries, associates and investment projects. To date some of the information and records are still found to be incomplete. The Company is following up in this regard via its legal advisor and an independent investigation committee had been set up to probe into all the matters arising therefrom. Appropriate actions will be taken once relevant independent legal opinion has been obtained.

   Furthermore, the Directors have already made proper provisions against the items concerned in a pragmatical and prudent manner with the available information.

2. As regards the going concern problem, the Group has recently signed a sales agency agreement with a Shanghai property agency company for the sale of Fairyoung Building, which is located at the junction of Pudong Avenue and Taolin Road, Shanghai, which is expected to commence shortly. The proceeds from sale should greatly improve the liquidity of the Group.

   Concerning the loans position of the Group, we have recently entered into a loan agreement with a new lender to replace our previous loan with better terms. Comparatively speaking, both the loan interest and finance charge will decrease, and the financial position of the Group will be improved accordingly.

EXPLANATION OF THE BOARD OF DIRECTORS TO THE MATTERS MENTIONED IN THE REPORT OF THE AUDITORS *(Continued)*

Moreover, the Company has secured loan facilities from its major shareholder on terms more favourable than from the market, the amount of which has reached HK$24,000,000.

It is believed that the aforesaid arrangements would improve the liquidity of the Group and help ease the doubt cast on the going concern problem.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2001, the Group's current asset and current liabilities were HK$64,538,000 and HK$258,620,000 respectively, and the bank loans and other loans amounted to HK$91,182,000.

EXCHANGE RISK

The Group's monetary assets, loans and transactions are principally denominated in HK dollars, US dollars and Renminbi. Since the HK dollar is pegged with the US dollar, and the fluctuation in exchange rate between Renminbi and HK dollar has been insignificant, the Group believes that its exposure to exchange rate risk is not material.

HUMAN RESOURCES

Employees' remuneration is determined in accordance with the nature of their duties and remains competitive under current market situation. The Group participated in the Mandatory Provident Fund Scheme in December 2000.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to the management and staff for their continuous dedication and invaluable efforts in the past year. We would also like to thank our shareholders, investors and business partners for their continuing support and confidence.

Liang Jianhua
CEO and Executive Director

Hong Kong, 30 April 2003