

# 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 2002.

## RESULTS

The Group recorded an audited consolidated turnover and net loss of HK\$9,230,000 (2001: HK\$32,582,000) and HK\$98,151,000 (2001: HK\$367,886,000), respectively, for the year ended 31 December 2002.

## BUSINESS REVIEW

In 2002, the global economy was in turmoil, and Hong Kong was no exception. In view of this situation, the Group saw the need for restructuring and repositioning in order to consolidate its existing operations for a more promising development. Since July 2002, we have adopted the new name of Dynamic Global Holdings Limited, symbolizing a new vision and direction. The new management brought in forward looking strategies and policies. They not only implement appropriate policies firmly but also set hands to enhance the Group’s corporate governance and image, which have strengthened our position in the development in the Greater China region. The new management prides itself in extensive business connections and profound experience in running large enterprises, as well as in investment and property development projects. We are confident that, equipped with these cutting edges, the Group will be brought to a new horizon after its successful re-positioning.

Toeing the above development policies, we had eliminated some of our unhealthy assets during the period with a view to alleviating contingent liabilities and uncertainties, thus paving way for future development with stronger financial position. In December 2002, we entered into an agreement to dispose of four subsidiaries with operations in Xiamen, Fujian, the People’s Republic of China (“PRC”), and the transaction was completed in March 2003.

Despite the disposal of unhealthy assets and non-core businesses, we still maintained certain investments with considerable development potential. This includes Beijing Zotn Digital Technologies, Inc. (“Zotn Digital”), a software developer which has developed the “Talent Series” and “Zotn Series” software on its own, and the product has accounted for a respectable market share of the products of its kind. With this positive trend to continue, Zotn Digital is expected to give us a constant contribution in the near future.

## PROSPECTS AND OUTLOOK

The Severe Acute Respiratory Syndrome (“SARS”) outbreak in Hong Kong and the PRC in March 2003 has dealt a further blow to the already weak economy. Fortunately, however, the Group has not been significantly affected as we have repositioned ourselves more to property development projects in the PRC. With the SARS epidemic gradually under control, our Fairyoung Building located at the junction of Pudong Avenue and Taolin Road in Shanghai, PRC has recently been offered for sale and the result is satisfactory. The proceeds from sale of the property have markedly improved our liquidity position.

# Message from the Chief Executive Officer

As the China economy is on an upward trend and the disposable income in the PRC is on the increase, we are optimistic with regard to the hotel-related business. Eyeing on the excellent prospects, we recently acquired Nan Zhang Shui Jing Lake Resort Hotel and its related facilities in Xiang Fan City, Hubei Province, PRC. The acquisition will not only strengthen our hotel and property management and development business, but also contribute a steady income to the Group.

Riding on the new management's extensive business networks and experience in the PRC, we will also be seeking investment projects with promising potential, such as property, infrastructure and power resources. We will endeavour to better employ the proceeds from sale of property and our internal resources to bring our shareholders reasonable return in future.

## 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 2002 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 its 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. Furthermore, the Directors have already made proper provisions against the items concerned in a pragmatic and prudent manner with the available information.
2. As regards the going concern problem, the Group has recently put on sale Fairyoung Building, which is located at Pudong Avenue and Taolin Road, Shanghai, PRC and the result is encouraging. The proceeds of sale have greatly improved the liquidity of the Group, which would help ease the doubt cast on the going concern problem.

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2002, the Group's current asset and current liabilities were HK\$63,875,000 and HK\$339,538,000 respectively. The bank loans and other borrowings amounted to HK\$91,084,000.

## EXCHANGE RISK

As the Group's operations are principally in the PRC and all assets and liabilities are denominated either in Renminbi, HK dollars or US dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

# Message from the Chief Executive Officer

## HUMAN RESOURCES

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

## 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, 11 July 2003

