

On behalf of the Directors, I am pleased to present to our shareholders the annual report of Dynamic Global Holdings Limited ("the Company") and its subsidiaries (together the "Group") for the year ended 31 December 2003.

RESULTS

The Group recorded an audited consolidated turnover and net profit of HK\$205,083,000 (2002: HK\$9,230,000) and HK\$4,443,000 (2002: net loss of HK\$95,921,000), respectively, for the year ended 31 December 2003.

BUSINESS REVIEW

2003 was indeed an encouraging year for the Group, despite the outbreak of the Severe Acute Respiratory Syndrome (SARS), which slowed down the overall economy in the early part of the year. The Group gradually made a turnaround to profitability by taking advantage of the recovering economy during the later part of the year. It was the fruition of the tremendous efforts of the new management in the restructuring and repositioning of the Group as a whole.

The Group's consolidated turnover for the year increased by 21 times over 2002 to HK\$205,083,000. The net profit for the year was HK\$4,443,000, an encouraging turnaround as compared to the loss of HK\$95,921,000 during 2002.

Some of the reasons for the successful turnaround include the management's effective cost control measures implemented during the year, and the increased operating efficiency achieved through the Group's restructuring and repositioning.

Thanks to the overwhelming response to the sale of the residential units of our Fairyoung Building in Pudong, Shanghai, the project weighed in with a substantial profit before tax of HK\$55 million. It has also made a substantial contribution in improving the cash flow of the Group.

Another business division with improved performance was Beijing Zotn Digital Technologies, Inc. ("Zotn Digital"), a solution provider focusing on China E-government and Enterprise information systems. After years of development, the associated company began to make contribution to the Group.

The Group's restructuring exercise during the year included some disposals and acquisitions. The transaction to dispose of loss making subsidiaries with operations in Xiamen and Zhangjiakou, PRC respectively was completed in March 2003 and a profit of HK\$11 million was accounted for it. 20% of the shareholding of Fairyoung (Heilongjiang) Industry Company Limited, a wholly owned subsidiary of the Company holding Heilongjiang Yabuli Ski Resort, were sold with an option for the purchaser to buy the remaining 80% shares or re-sell the 20% shares back to the Group on or before 12 August 2004.

Chairman's Statement

A resort hotel in Nanzhang, Hubei Province, PRC was acquired by issue of shares of the Company during the year. However, no contribution to the Group had yet been recorded for the year.

Another investment made during the year was a 70% stake in a prime site of about 4,416 square meters, which is strategically located in the heart of commercial area of Harbin City in Heilongjiang. This will further increase the Company's land portfolio for commercial purpose and strengthen the earning base of the Company's property division in the PRC.

PROSPECTS AND OUTLOOK

The Directors consider that the improving economic conditions in Hong Kong and the rapid growth in the Mainland economy will continue to provide good opportunities to the Group for achieving sustainable growth and development.

Riding on the marvelous result in the sale of the residential unit of Fairyoung Building, the management will keep an eye on the best timing for offering for sale the remaining part of the Building, including the commercial units, the shopping mall and car parks.

The project of the Harbin land, now at its planning stage, will be developed into a high class shopping mall. A hefty return is expected from this prime site will it be for sale when it is completed.

With a broad range of customers in China, Zotn Digital has gained good reputation through successful application implements for the customers. Its flagship software "Talent Series" and "Zotn Series" has accounted for a respectable market share of the products of its kind. The Board believes that Zotn Digital may capitalize the advantages to make further contribution to the Group in the future.

Apart from the projects in hand, the Board will continue to look for investment opportunities that have earning potentials, with a view to diversifying its sources of income by exploring various business opportunities and to developing its existing business. In particular, the Board will focus on projects that have steady income and positive cashflow so as to further improve the Group's financial performance and broaden its earning bases. It is always the objective of the Board to make effective use of the Group's resources and maximise the value of the Company.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING AND CAPITAL COMMITMENTS

As at 31 December 2003, the Group's current asset and current liabilities were HK\$251,740,000 and HK\$218,855,000 respectively. The bank loans and other borrowings amounted to HK\$31,334,000.

As at 31 December 2003, main charges on assets of the Group included HK\$1.3 million on fixed assets; HK\$31.4 million on properties under development and bank balances of HK\$1 million.

As at 31 December 2003, capital commitments mainly consisted of the construction costs for the Fairyoung Building project amounting to approximately HK\$71 million.

The Group's gearing ratio as at 31 December 2003 was 61%, which is calculated on the Group's total liabilities divided by its total assets.

The Board believes that the Group's cash holding, liquid asset value, future revenue and available facilities will be sufficient to fund its capital expenditure and meet its working capital requirements.

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.

CONTINGENT LIABILITIES

It is a common practice in the PRC for banks providing mortgage financing to end-users require property developers to provide buy-back guarantee to secure the due performance of the borrowers. As at 31 December 2003, the Company had provided buy-back guarantees amounting to approximately HK\$154 million to banks for granting mortgage loans to buyers of our property project in Shanghai.

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 80 employees, who are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. The Group has participated in the Mandatory Provident Fund Scheme. On the job training is provided to staff from time to time. The Group currently does not have any share option scheme for employees.

APPRECIATION

My heartfelt thanks go to the Board, our management and all our staff for their dedication and commitment to our vision. I would also like to express my gratitude to our shareholders, investors and business partners for their continued support and confidence.

Liang Jianhua

Chairman and CEO

Hong Kong, 20 April 2004