

## Chairman's Statement

I hereby 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 2004.

### RESULTS FOR THE YEAR

The Group recorded an audited consolidated turnover and net loss of HK\$58,624,000 (2003: HK\$205,083,000) and HK\$72,351,000 (2003: net profit of HK\$4,443,000) respectively for the year ended 31 December 2004.

### REVIEW OF OPERATIONS AND FUTURE PROSPECTS

The year under review was a difficult year for the Group's business, especially the second half of the year. In 2004, the PRC implemented austerity measures, which have tightened up fund sources of the property sector. As an investor which is deeply committed to the China property market via its major subsidiaries, the Group has unavoidably been affected by these measures. These government policies and the ebb of the development cycle of our investment projects had resulted in a substantial decrease in the Group's turnover and the net loss during the year as mentioned above. The development progress of our commercial building site in Harbin City, Heilongjiang has also been delayed because of the funding difficulties.

The performance of another arm of the Group, Zotn Digital Technologies, a solution provider focusing on China E-government and Enterprise information systems, was less satisfactory than expected and had no contribution to the Group during the year. The management is endeavouring to improve its performance.

While the Group is still in the process of restructuring its portfolio of assets, we are of a strong belief that a successful restructuring will ultimately enable the Group to improve its future performance and liquidity position.

The Group will continue streamlining its existing operations, stepping up cost control measures and improving its productivity. In respect of the property development projects in the PRC, the Group is keen to complete all the projects in time so as to capture the boom of the mainland property market and improve the Group's performance.

Despite the difficulties it has encountered, the Group will be continuing to focus on pursuing its core business in the field of property investment and development in the PRC. We are confident that given time the Group will improve its performance by taking advantage of the comparatively high economic growth in the PRC. The Group will also evaluate and explore business and investment opportunities made available to the Group, which could be of long-term interest and to the benefit of the Group and the Shareholders as a whole.

### ARRANGEMENTS FOR THE RESUMPTION OF TRADING OF SHARES

Since August 2004, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended. The management understands and shares the concern of the shareholders of the Company in relation to the suspension of share trading. The management is now following up closely with the Stock Exchange on this, with a view to resuming the share trading as soon as possible.

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

As at 31 December 2004, the Group's current asset and current liabilities were HK\$250,614,000 and HK\$281,689,000 respectively. The bank loans and other borrowings amounted to HK\$58,148,000.

As at 31 December 2004, main charges on assets of the Group included HK\$0.9 million on fixed assets; HK\$28.7 million on properties under development and bank balances of HK\$0.13 million.

As at 31 December 2004, capital commitments mainly consisted of the construction costs for the Fairyoung Building project amounting to HK\$33 million.

The Group's gearing ratio as at 31 December 2004 was 78%, which is calculated on the Group's total liabilities divided by its total assets.

### 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 2004, a subsidiary of the Company had provided buy-back guarantees amounting to HK\$194 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, as well as individual qualifications and 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

On behalf of the Board, I would like to express our gratitude to the management and staff for their valuable contribution and dedication in the past year. We would also like to thank our shareholders, investors, customers and business partners for their continued support and confidence.

**Lu Junsi**

*Chairman*

Hong Kong, 1 June 2005