

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 (the "Group") for the year ended 31 December 2006.

RESULTS

The Group recorded an audited consolidated turnover of HK\$20,210,000 (2005: HK\$30,918,000) for the year ended 31 December 2006, representing a decrease of 35%. However, net loss attributable to equity shareholders of the Company had reduced to HK\$76,654,000 (2005: net loss of HK\$97,380,000), representing an improvement of 21%.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

Despite some sort of delay experienced, the construction works of the Group's two flagship projects in mainland China, namely, the Shanghai Project and the Harbin Project, are completed and close to completion respectively with the effort of the management team of the Group.

The proceeds from the sale of the commercial portion of the Shanghai Project in the second half of 2006 were mainly utilized towards the final construction works of the building. The whole Shanghai Project has been completed and has passed the final inspection by the relevant government authorities of Shanghai in end of February 2007. The process of obtaining occupation permits for the ultimate buyers is at its final stage.

The completion of the Shanghai Project has put an end to the prolonged claims from the ultimate buyers. A sales agent has been appointed to sell all 152 car park spaces in the Shanghai Project for a total consideration of not less than RMB27,500,000 to buyers of residential part of the Shanghai Project and the consideration received will be utilized to settle the claims from them.

Following the completion of the Shanghai Project, the major project remains in the Group is the Harbin Project. The development of the Harbin Project is almost completed and leasing arrangements are underway. It is expected that the turnover and cashflow of the Group will be improved substantially when rental income is generated.

As an investment holding company mainly engaged in property investment and development, the Company will continue to ride on these experiences to explore new investment and development opportunities with a view to improving the shareholders' return.

While the Group is restructuring its business operations, it is now endeavouring in resolving its financial difficulties. Some interest-bearing borrowings have been restructured, extended and assigned to new creditors. In addition, the assignees of these loans and lenders of other borrowings have entered into extension agreements with the Company to defer the repayments of the loans and other borrowings to July 2008 and December 2008. As a longer term measure, further work in exploring new sources of finance and capital restructuring will be the main tasks of the Group in the coming year. We are confident that the Group will leverage the strong performance of the economy of mainland China and get back on track in its restructuring exercise and future development.

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EXPLANATION OF THE BOARD OF DIRECTORS TO THE MATTERS MENTIONED IN THE INDEPENDENT AUDITOR'S REPORT

The auditors have audited the financial statements for the year ended 31 December 2006 and issued an independent auditor's report with a disclaimer opinion on the financial statements. Given the unfavourable conditions experienced by the Group during the year under review, the Board considers that the qualification is understandable. In respect of the matters mentioned in independent auditor's report, the Board set out its comments as follows:

As regards the going concern problem, the Group has obtained loans from the subsidiary of its substantial shareholder and a number of overdue borrowings were extended with the consent of the lenders to on or after July 2008. It is believed that the above-mentioned financing will suffice the Group to complete the Fairyoung Building in Pudong, Shanghai ("Shanghai Project") and commercial building site in Harbin City, Heilongjiang ("Harbin Project") and the proceeds from sale and/or leasing of these two projects will greatly improve the liquidity of the Group, which would help ease the doubt cast on the going concern problem.

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

As at 31 December 2006, the Group's current assets and current liabilities were HK\$215,865,000 and HK\$422,710,000 respectively. The interest-bearing borrowings amounted to HK\$129,703,000.

As at 31 December 2006, main charges on assets of the Group included bank balances of HK\$460,000.

As at 31 December 2006, capital commitments mainly consisted of the construction costs for the Shanghai and Harbin project amounting to HK\$11,637,000.

The Group's gearing ratio as at 31 December 2006 was 122%, which is calculated on the Group's total liabilities divided by its total assets.

EXCHANGE RISK

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

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CONTINGENT LIABILITIES

(a) Guarantees

The Group undertook guarantees in respect of mortgage loans granted by certain banks of approximately RMB7,437,000 (approximately HK\$7,422,000) (2005: approximately RMB7,437,000 (approximately HK\$7,151,000)) relating to the mortgage loans arranged for certain purchasers of the Group's properties under development for sale since 2003. Pursuant to the terms of the guarantees, in the event of any default in mortgage payments by any of these purchasers, the Group is responsible to repay the outstanding mortgage principal balances together with accrued interest and penalties owed by the defaulted purchasers and the Group is entitled to take over the legal title and possession of the related properties under development for sale. The Group's guarantee period commences from the dates of the drawdown of the relevant mortgage loans and ends when the Group obtains the "property title certificate" for the mortgagees.

No provision has been made in the financial statements as at 31 December 2006 for the financial guarantees as the fair value of the financial guarantee contracts is insignificant.

(b) Compensations

The buyers of the properties under development for sale ("Pre-sale Properties") of a subsidiary of the Company were eligible for compensations at the rate of 0.02% per day on deposits paid as from 1 January 2005 until the assignment of the Pre-sale Properties. A provision for compensations of approximately RMB5,098,000 (approximately HK\$5,088,000) has been made in the financial statements for claims up to 31 December 2006. As at the date of the approval of the financial statements, the date of assignment of the Pre-sale Properties has not been determined. Apart from the provision which have already been made, provision for compensations of approximately RMB6,000,000 (approximately HK\$5,988,000) is not made subsequent to 31 December 2006 and up to the date of the approval of the financial statements.

According to the terms of pre-sale contracts, the buyers of the Pre-sale Properties are eligible to cancel the contracts when the date of assignment is delayed for more than 90 days. Up to the date of the approval of the financial statements, no buyers have requested for the cancellation of the contracts.

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 50 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.

Chen Jung Hsin

CEO & Executive Director

Hong Kong, 20 April 2007