



AUDITORS' REPORT TO THE SHAREHOLDERS OF  
**DYNAMIC GLOBAL HOLDINGS LIMITED**  
*(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)*

We have audited the financial statements on pages 21 to 80 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants, except that the scope of our work was limited as explained below.

An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence made available to us was limited due to the following:

**1. Scope limitations arising from prior year's audit scope limitations affecting opening balances for current year**

The audit opinion on the financial statements of the Group and the Company for the year ended 31 December 2002 was disclaimed for various reasons amongst which included the significance of the possible effects arising from certain limitations on the scope of prior year's audit which consequently resulted in scope limitations on the opening balances in the financial statements of the Group for the year ended 31 December 2003.

As explained in note 2(a) to the financial statements, the Group obtained a release from the court in Mainland China on the Group's investment in a subsidiary namely, Fairyoung (Heilongjiang) Industry Co., Limited ("HLJ Industry") which had been previously frozen by the court. Subsequent to the release, the Group obtained the books and records and included the operating results of HLJ Industry for the year ended 31 December 2003 in the consolidated financial statements of the Group. However, we were unable to obtain sufficient evidence concerning the opening balances of the financial statements of HLJ Industry as at 1 January 2003. Any adjustment to the opening balances would have a consequential effect on the net profit from ordinary activities attributable to shareholders for the year then ended.

## Report of the Auditors

### 2. Scope limitation – Carrying value of interest in associate

Included in the consolidated balance sheet as at 31 December 2003 was a 39% interest in an associate namely Golden Yield Enterprises Limited (“Golden Yield”). The carrying value of which included approximately HK\$63 million of goodwill not yet fully amortised arising upon acquisition of Golden Yield. There was no independent professional valuation to determine the carrying value of the goodwill. We have been unable to perform any procedures we consider necessary to satisfy ourselves as to whether any impairment loss is required to be made against the carrying value of the goodwill as at 31 December 2003. Any adjustment to this amount would have a consequential effect on the net asset position of the Group as at 31 December 2003 and the net profit from ordinary activities attributable to shareholders for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### DISCLAIMER OF OPINION

Because of the significance of the possible effects due to the limitations in evidence made available to us including, but not limited to, the scope limitations arising from prior year’s disclaimer of audit opinion, as set out above under the heading of “Basis of Opinion”, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the profit and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work as set out in the basis of opinion section of this report we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Notwithstanding the preceding paragraphs, due to the fact that the audit opinion for the prior year financial statements was disclaimed, the comparative amounts shown in these financial statements may not be comparable with the amounts for the current year.

#### **Charles Chan, Ip & Fung CPA Ltd.**

*Certified Public Accountants*  
Hong Kong

#### **Chan Wai Dune, Charles**

*Practising Certificate Number P00712*

Hong Kong, 20 April 2004