Report of the Auditors

ERNST & YOUNG
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To the members

Dynamic Global Holdings Limited

(Formerly known as Fairyoung Holdings Limited)

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 22 to 82 which have been prepared in accordance with accounting principles generally accepted in Hong Kong, other than as set out below.

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 to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants (the "HKSA"), 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 available to us was limited as follows:

Scope limitations arising from the prior year's audit scope limitations affecting opening balances

1. Our opinion on the financial statements of the Group and the Company for the year ended 31 December 2000 was disclaimed for reasons which included the significance of the possible effects of certain limitations on the scope of our audit which are further detailed in our report dated 30 October 2001.

Scope limitations arising from the prior year's audit scope limitations affecting opening balances *(Continued)*

In summary those scope limitations included:

(i) Our inability to carry out the subsequent events procedures we considered necessary to determine the financial statements were free of material error and to assess the appropriateness of the going concern assumption because certain of the underlying books and records of the Group had not been fully updated subsequent to the balance sheet date and we had not been able to obtain access to all the records we required for our review; and

(ii) Insufficient information which prevented us from satisfying ourselves concerning a provision of HK$67 million made against certain long term deposits.

Accordingly, we were then unable to form an opinion as to whether the 2000 financial statements gave a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2000 and of the loss and cash flows of the Group for the year then ended. Any adjustment found to be necessary to the opening net assets of the Group and the Company would have a consequential effect on the loss of the Group and the Company for the current year ended 31 December 2001.

Scope limitations arising from the current year's audit

2. Scope limitation - Completeness of books and records

(a) As more fully explained in note 3(b) to the financial statements, due to the significant staff and management turnover within the Group during the year and subsequent to the balance sheet date, certain underlying books and records of the Group were either lost, or could not be located, and have not been properly updated. Accordingly, we have not been provided with adequate evidence to satisfy ourselves as to the completeness, appropriateness, classification and disclosures in respect of (i) certain transactions effected during the year 2001; (ii) the related balances as further detailed in note 3(b) to the financial statements; and (iii) the prior year reclassification adjustment of HK$26 million from cash and bank balances to debtors, deposits and prepayments as at 31 December 2000 as referred to in note 3(b)(i) to the financial statements.

(b) As further explained in note 3(b) to the financial statements, the books and records of certain of the Company's subsidiaries have not been fully updated subsequent to the balance sheet date. Accordingly, we have not been able to carry out the necessary audit procedures to complete our review of subsequent events from the balance sheet date up to the date of this report. Such procedures might have resulted in the identification of adjustments to the amounts reported in and/or disclosed as notes to the financial statements. Furthermore, the scope of our work in assessing the appropriateness of preparing the financial statements on a going concern basis was consequentially limited because we have been unable to determine as to whether management's plans to address the going concern issue (such as we have been able to identify or otherwise determine such) are based on complete information about the Group's current financial position and, therefore, are adequate.

3. Scope limitation and disagreement over accounting treatment and disclosure - Interests in two associates

Included in the consolidated profit and loss account for the year ended 31 December 2001 are provisions aggregating HK$46.6 million made against the Group's interests in two 20%-owned associates, namely Lawsons Infotech (Holdings) Corporation ("Lawsons Infotech") and Well Known Technology Limited ("Well Known"), which were acquired by the Group during the year during the management of the former directors. As explained in note 19(a) to the financial statements, due to the unavailability of the financial information of Lawsons Infotech and Well Known, the Group has not accounted for any changes in its interests in these associates since their acquisition using the equity method and no disclosure has been made in respect of the Group's interests therein in accordance with the provisions and disclosure requirements as set out in Statement of Standard Accounting Practice 2.110 "Accounting for investments in associates" issued by the HKSA. We have not been able to quantify the effect on the consolidated profit and loss account and consolidated balance sheet of failing to properly account for the Group's share of its results for the year then ended.

Furthermore, as further explained in note 19(a) to the financial statements, to the knowledge of the current directors, the operations of Lawsons Infotech and Well Known have been suspended and, accordingly, the Group has made full provisions aggregating HK$46.6 million against the Group's interests in these associates. We have been unable to obtain from the directors any information about the operations and substance of the underlying investments in these associates made by the Group and hence whether the provisions made are appropriate. Any adjustment to the provisions recorded would have a consequential impact on the Group's net assets as at 31 December 2001 and the net loss from ordinary activities attributable to shareholders for the year then ended.

4. Scope limitation - Provisions against advances/for guarantees given

Included in the consolidated profit and loss account for the year ended 31 December 2001 are provisions aggregating HK$3.4 million made against the Group's advances to and for guarantees given in respect of loans granted by a financial institution to a shareholder of Well Known (the "Well Known Shareholder"). We have been unable to obtain satisfactory explanations from the directors concerning the reasons for the advances and guarantees made/given by the Group to the Well Known Shareholder or the financial institution. Therefore, we have been unable to ascertain the commercial substance of these transactions and satisfy ourselves as to whether the provisions made are appropriate. Any adjustment to the provisions would have a consequential impact on the Group's net assets as at 31 December 2001 and the net loss from ordinary activities attributable to shareholders for the year then ended.

5. Scope limitation - Interest in Golden Yield Enterprises Limited ("Golden Yield")

Included in the consolidated balance sheet at 31 December 2001 is a 29% interest in an associate, Golden Yield, in the amount of approximately HK$56.9 million, which was acquired by the Group during the year. The carrying value of which included unamortised goodwill arising on acquisition of HK$56.7 million. Neither a current independent professional valuation, nor other current financial information in respect of Golden Yield has been commissioned by or is available to the Group to assess the carrying value of the unamortised goodwill. We have been unable to perform the procedures we consider necessary to satisfy ourselves as to whether any impairment loss is required to be made against the carrying value of the unamortised goodwill of HK$56.7 million as at 31 December 2001. Any adjustment to this amount would have a consequential effect on the net asset position of the Group as at 31 December 2001 and the net loss from ordinary activities attributable to shareholders for the year then ended.

6. Scope limitation - Fixed assets

Included in the consolidated balance sheet at 31 December 2001 are certain fixed assets (the "Ski Assets") of Heilongjiang Industry Co., Ltd. ("HLJ Industry"), a wholly-owned subsidiary of the Group, in the amount of HK$53.5 million, held for the operation of a skiing resort in Mainland China (the "Skiing Operations"). As explained in note 33(c) to the financial statements, the Group's investment in HLJ Industry has been frozen by a court in Mainland China and the Skiing Operations has also been suspended. On 4 September 2002, the Group entered into a conditional agreement with an independent third party purchaser for the disposal of the Skiing Operations for a consideration of RMB56 million (approximately HK$52.7 million) (the "Disposal"). However, the terms of conditions specified under the Disposal agreement have not been fulfilled by both parties thereto to date, which terms include, amongst others, the payment of a fee amounting to RMB2.5 million (approximately HK$2.4 million) by the Group and the purchaser, respectively, in an attempt to apply to the court for the release of the frozen capital of HLJ Industry. To date, neither the Disposal has been completed, nor has an independent professional valuation or other financial information been available to assess the carrying value of the Ski Assets. Having regard to (i) the suspension of the Skiing Operations; (ii) the imposed restriction by the court on the transfer of the Ski Assets; and (iii) the uncertainty of the ultimate completion of the Disposal, the September 2002 conditional agreement price for the Disposal might not be reliable to assess the carrying value of the Ski Assets. We have been unable to perform the procedures we consider necessary to satisfy ourselves as to whether any impairment loss is required to be made against the carrying value of the Ski Assets. Any adjustment to this amount would have a consequential effect on the net asset position of the Group as at 31 December 2001 and the net loss from ordinary activities attributable to shareholders for the year then ended.

7. Scope limitation - Legal claim

As set out in note 33(c) to the financial statements, the Group received a judgement from a court in Mainland China pertaining to a claim of RMB11.6 million (approximately HK$10.9 million) from a former landlord against the Group in respect of the alleged breach of a tenancy agreement signed by a former subsidiary disposed of by the Group in prior year. The directors consider that the Group has valid defences against the claim and are currently seeking legal opinion concerning the intended appeal against the claim judgement. As we have not been provided with sufficient information to assess the likely outcome of the intended appeal, we have been unable to assess as to whether any provision is required to be made by the Group against the claim. Any adjustment to the amount would have a consequential impact on the Group's net assets as at 31 December 2001 and the net loss from ordinary activities attributable to shareholders for the year then ended.

8. Scope limitation - Fundamental uncertainty - Going concern basis of the Group

In forming our opinion, we have considered the adequacy of the disclosures made in note 3(a) to the financial statements concerning the basis of their preparation by the directors. As more fully explained in note 3(a) to the financial statements, the Group's financial statements have been prepared on a going concern basis, the validity of which is dependent upon the successful outcome of the measures currently being undertaken by the directors to ensure that adequate cash resources are available to the Group to enable it to meet its future working capital and financial requirements. The financial statements do not include any adjustments that would result from the failure of such measures.

As explained in paragraph 2(b) above, because the Group's books and records have not been properly updated, we have been unable to determine as to whether management's plans to address the going concern issue as provided to us are based on complete information about the Group's financial position and, therefore, are adequate. Accordingly, we have disclaimed our opinion in this respect.

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

On account of the significance of each of (a) the fundamental uncertainty relating to the going concern basis; and (b) the possible effect of the limitations in evidence available to us as set out in the basis of opinion section of this report, 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 2001 and of the loss 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:

(i) we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

(ii) we were unable to determine whether proper books of account had been kept.

Without further qualifying our opinion, we draw attention to the fact that:

(i) because our opinion on the financial statements in respect of the Group and the Company in the prior year dated 30 October 2001 was disclaimed on account of various scope limitation reasons summarised in paragraph 1 above, the comparative amounts shown in these financial statements may not be comparable with the amounts for the current year; and

(ii) subsequent to the year end the Group increased its stake in Golden Yield (see scope limitation 5 above) by the acquisition of a further 10% interest therein (see notes 30 and 36(a) to the financial statements).

Ernst & Young
Certified Public Accountants

Hong Kong
30 April 2003