ERNST & YOUNG
安永會計師事務所

To the members
Styland Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 19 to 67 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 to you.

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 and performed 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:

BASIS OF OPINION *(Continued)*

Scope limitation – carrying value of long term investments

Included in the long term investments in the consolidated balance sheet as at 31 March 2003 is an unlisted equity investment, Well Pacific Investments Limited ("Well Pacific") with a net carrying value of HK$26 million. As further detailed in note 20 to the financial statements, such investment is stated after an impairment provision of HK$36 million, of which HK$22 million was provided in the year ended 31 March 2002 and HK$14 million was provided in the current year. The provision was estimated by the directors based on the unaudited financial information of Well Pacific and its two subsidiaries as at 31 March 2002. Because of certain disputes with the management of Well Pacific, the directors were unable to obtain any more recent reliable financial information about Well Pacific. Nor have they been able to confirm the ongoing ownership by Well Pacific of its two operating subsidiaries in Mainland China. We were unable to satisfy ourselves as to either the reliability, or the adequacy of the financial information on which the directors' provision was based and there were no practical alternative audit procedures that we could perform to satisfy ourselves that this investment has been fairly stated at 31 March 2003, and consequently as to the appropriateness of the impairment loss of HK$14 million included in the profit and loss account for the year ended 31 March 2003. Any adjustment to the carrying value of the investment would have a consequential impact on the Group's net assets at 31 March 2003 and its loss for the year then ended.

Also included in the long term investments in the consolidated balance sheet as at 31 March 2003 is an unlisted equity investment, Seven Perfect Investment Co. Limited ("Seven Perfect"), at a cost of HK$31 million. As detailed in note 20 to the financial statements, the investment was acquired by the Group during the year for a cash consideration of HK$31 million, which was determined with reference to a professional valuation based on the net present value of the then expected future cash flows to be generated by Seven Perfect. However, based on the limited information available to us, Seven Perfect has only generated an insignificant amount of cash flows. Accordingly, there is an indication that the investment may be impaired. We have been unable to see any detailed business plan for Seven Perfect or otherwise determine its prospects by reference to other datum such as sales orders on hand. There were no other satisfactory audit procedures that we could perform to assess the fair value of Seven Perfect, and hence the quantum of a provision for impairment of the investment as at 31 March 2003. Any adjustment to the carrying value of the investment in respect of an impairment provision would have a consequential impact on the Group's net assets at 31 March 2003 and its loss 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.

BASIS OF OPINION *(Continued)*

Fundamental uncertainty relating to the inquiry by the Securities and Futures Commission ("SFC")

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the inquiry by the SFC. As further detailed in note 1 to the financial statements, pursuant to a notice dated 20 March 2003, the SFC is conducting an inquiry into certain matters of the Group under Section 29A of the former Securities and Futures Commission Ordinance. The directors consider that the inquiry is at its preliminary stage and the direction of such inquiry is currently unknown and unpredictable. The financial statements do not include any adjustments that might result from any findings of this inquiry. We consider that appropriate estimates and disclosures have been made and our opinion is not qualified in this respect.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Except for any adjustments or disclosures that might have been found to be necessary had we been able to obtain sufficient evidence relating to the Group's long term investments discussed above, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the loss and cash flows of the Group for the year then ended and 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 relating to the investments discussed above,

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

- we were unable to determine whether proper books of account had been kept.

Ernst & Young
Certified Public Accountants

Hong Kong
30 July 2003