

Report of the Auditors



To the members

Dransfield Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 39 to 89 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. 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. 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.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion we have considered the adequacy of the disclosures made in note 2 to the financial statements in respect of the fundamental uncertainties relating to the rescheduling of the repayment terms of certain of the Group's banking facilities and other liabilities (the "Rescheduling"); the ongoing support of the Group's major bankers (the "Ongoing Support"); the procurement of new equity and other financing (the "New Funding"); and the expected orderly disposal of certain assets of the Group (the "Disposals") to meet its future working capital and financing requirements.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the foregoing to relieve the current liquidity problems of the Group. The financial statements do not include any adjustments that would result from the failure of the Rescheduling, or the procurement of the New Funding, or the implementation of the Disposals, or the availability of the Ongoing Support. We consider that appropriate disclosures have been made, but the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to adopt the going concern basis are so extreme that we have disclaimed our opinion.

DISCLAIMER OF OPINION

Because of the significance of the fundamental uncertainty relating to the appropriateness of the going concern basis, 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 March 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.

Ernst & Young

Certified Public Accountants

Hong Kong
5 September 2001