

Report of the Auditors



安永會計師事務所

To the members

Bestway International Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 27 to 77 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 concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in note 2 to the financial statements, the Group is currently undertaking a number of measures to relieve its current profitability and liquidity problems. The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the proposed debt restructuring plan of the Group, the ongoing support of Group's bankers and the attainment of profitable and cash flow positive operations. The financial statements

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do not include any adjustment that may be necessary should the implementation of such measures be unsuccessful. We consider that appropriate disclosures have been made in the financial statements concerning this situation, but we consider that this fundamental uncertainty is so extreme that we have disclaimed our opinion.

Disclaimer of opinion

Due to the significance of the fundamental uncertainty relating to 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 2002 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.

Emphasis of matter

Without further qualifying our opinion, we draw attention to possible misstatements in certain comparative amounts presented in these financial statements for the year ended 31 March 2001. During the year ended 31 March 2001, the Group subcontracted the entire operations of two former subsidiaries to an independent third party and a joint venture party respectively, forfeiting its share of the operating results of these entities in return for fixed and guaranteed annual subcontracting fees. The consolidated profit and loss account for the year ended 31 March 2001 consolidated the results of these two former subsidiaries to the respective dates of entering into the subcontracting arrangements, based on their unaudited management accounts. As explained in our qualified audit opinion for the year ended 31 March 2001, dated 14 September 2001, we were unable to obtain sufficient information to satisfy ourselves that the amounts so consolidated were fairly stated and no further evidence in respect of such has become available during the audit of the current year. Any adjustments to these amounts would affect the classification in the consolidated profit and loss accounts. For the same reasons, we were unable to satisfy ourselves that certain disclosures which had incorporated amounts in relation to the two former subsidiaries, including the assets and liabilities attributable to the two former subsidiaries reclassified to other investments and the corresponding cash flows arising from the operations of these entities prior to their reclassification, as included in the cash flow statements, were also fairly stated.

Ernst & Young

Certified Public Accountants

Hong Kong

11 July 2002