



Auditors' report to the shareholders of
REXCAPITAL International Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 58 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The 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, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial 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 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.

Basis of opinion (continued)*Fundamental uncertainty*

In forming our opinion, we have considered the adequacy of the disclosures made in note 1(b) to the financial statements concerning uncertainties facing the Group and the Company. The financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to implement its business development plans, which are dependent on, among other things, adequate financing being continuously available to the Group to fund the development operations, before sufficient cash flows are generated from such operations.

The financial statements do not contain any adjustments that would result from the failure to implement its business development plans.

These would include any adjustments required to write down the Group's and the Company's assets to their recoverable amounts, to provide any liabilities which may arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

Opinion

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 Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

KPMG*Certified Public Accountants*

Hong Kong, 25 July 2003