

Auditors' Report



Charles Chan, Ip & Fung CPA Ltd.
37th Floor Hennessy Centre
500 Hennessy Road
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF
FIRST NATURAL FOODS HOLDINGS LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

We have audited the financial statements on pages 27 to 35 which have been prepared in accordance with accounting principles generally accepted in Hong Kong. We have also audited the proforma financial information on pages 37 to 64. The proforma financial information has been prepared in accordance with the “Basis of presentation of the proforma financial information” set out on page 36 and the accounting policies set out on pages 41 to 46.

Respective Responsibilities of Directors and Auditors

The Company’s directors are responsible for the preparation of financial statements and proforma financial information which give a true and fair view. In preparing financial statements and proforma financial information 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 the financial statements and proforma financial information 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 and proforma financial information. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and proforma financial information, 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 and proforma financial information are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and proforma financial information. We believe that our audit provides a reasonable basis for our opinion.



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Opinion

In our opinion,

- (a) the financial statements set out on pages 27 to 35 give a true and fair view of the state of the Company's affairs as at 31 December 2001 and of the Company's loss and cash flows for the period from 27 July 2001 (date of incorporation) to 31 December 2001 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.
- (b) the proforma financial information set out on page 37 to 64 has been properly prepared in accordance with the "Basis of presentation of the proforma financial information" set out on page 36 and the accounting policies set out on pages 41 to 46 and, on that basis, gives a true and fair view of the state of the affairs of the Group as at 31 December 2001 and of the Group's profit and cash flows for the year then ended as if the Group's reorganization had been effected on 31 December 2001 and the Group's structure had been in existence then.

Charles Chan, Ip & Fung CPA Ltd.

Certified Public Accountants

Hong Kong

22 April 2002

Chan Wai Dune, Charles

Practising Certificate Number P00712