

Auditors' Report

德勤·關黃陳方會計師行

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**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF CHINA RICH HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 29 to 74 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 are limited as explained below.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned 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 set out below.

The following amounts are included in the consolidated financial statements based on unaudited management accounts in respect of subsidiaries of the Company, namely Wing Fai Construction Company Limited, Zhukuan Wingfai Construction Company Limited and Wai Shun Construction Company Limited (the "Wing Fai Subsidiaries") for the period from 1st August, 2001 to 22nd April, 2002, being the most up-to-date financial information maintained by the Company prior to the disposal of the Wing Fai Subsidiaries on 22nd April, 2002:

- Turnover of approximately HK\$182,295,000;
- Cost of sales of approximately HK\$155,179,000;

Basis of opinion (continued)

- Bad debts written back of approximately HK\$32,000,000;
- Other operating income of approximately HK\$2,962,000;
- Administrative expenses of approximately HK\$4,019,000;
- Other operating expenses of approximately HK\$10,752,000; and
- Finance costs of approximately HK\$5,188,000.

We were unable to obtain sufficient documentary evidence to satisfy ourselves as to whether these amounts are fairly stated in the financial statements. Accordingly, we were unable to satisfy ourselves regarding the classification of the income statement as between loss from operations and loss on disposal of discontinued operations of approximately HK\$45,493,000 in respect of the disposal of the Wing Fai Subsidiaries. Also, we were unable to satisfy ourselves as to the reliability of the segmental information in note 5 to the financial statements so far as it relates to the Wing Fai Subsidiaries. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matter set out above.

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.

Qualified opinion arising from limitation of audit scope

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st July, 2002. Except for possible adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the Wing Fai Subsidiaries, in our opinion the financial statements give a true and fair view of the loss and cash flows of the Group for the year ended 31st July, 2002 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 Wing Fai Subsidiaries:

- 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 accounts have been kept.



Deloitte Touche Tohmatsu
Certified Public Accountants

25th November, 2002