

Report of the Auditors



ERNST & YOUNG

安永會計師事務所

To the members

Fortuna International Holdings Limited

廣益國際集團有限公司

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 18 to 68 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 was limited as explained below.

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 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.





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Basis of opinion (continued)

Fundamental uncertainty and scope limitation

As further detailed in note 18 to the financial statements, an amount of HK\$24,431,000 (the "Debt") owed to the Company by Lixcon Limited is currently the subject of litigation to effect its recovery. As the outcome of the litigation is uncertain, at this stage, neither the directors, nor ourselves have sufficient information to ascertain either the likelihood of recovering the Debt in full, or to determine the amount of provision, if any, required to be reflected in the financial statements. Any adjustments that might have been found necessary in respect of the matter as set out above would have a consequential impact on the net assets of the Group and the Company as at 31 December 2002 and the net loss attributable to the shareholders of the Group and the Company for the year then ended.

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 on limitation of audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence relating to the amount recoverable from Lixcon Limited, in our opinion the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 December 2002 and of the loss and cash flows of the Group for the year then ended 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 as set out in the basis of opinion section of this report, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Ernst & Young
Certified Public Accountants

Hong Kong
24 April 2003

