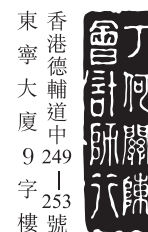


Report of the Auditors

TING HO KWAN & CHAN

CERTIFIED PUBLIC ACCOUNTANTS

9th Floor, Tung Ning Building,
249-253 Des Voeux Road C., Hong Kong.



TO THE SHAREHOLDERS OF TEM FAT HING FUNG (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the accounts on pages 18 to 59 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 accounts which give a true and fair view. In preparing accounts 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 accounts 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 included an examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 accounts are free from material misstatement. However, the evidence available to us was limited because of the following:

Scope Limitations

Jointly Controlled Entities (JCE)

As stated in note 17 to the accounts, the carrying value of the Group's interests in the JCE and the amounts due from the JCE to the Company both amounted to HK\$16,301,000 as at the balance sheet date, after deducting provision for impairment losses and doubtful debts of HK\$50,000,000 and HK\$63,640,000 respectively. Pursuant to the notice of appointment of receivers and managers issued on 19th June 2002, certain major operations of JCE are under receivership. The directors confirmed that the receivership is still in progress as at year end date and no sufficient information has been received by them from the receivers concerning the progress and possible outcome of the receivership since the year end date and up to the date of approval of these accounts. Although the receivership is still in the process and the result is uncertain, the directors have made provisions for impairment losses and doubtful debts as shown in the above based on their understanding of the events for the purposes of the preparation of these accounts.

Report of the Auditors *(Continued)*

Scope Limitations *(Continued)*

Jointly Controlled Entities (JCE) (Continued)

As we have not been provided with sufficient information and explanations from the directors concerning the possible outcome of this receivership due to the uncertainty surrounding this receivership to satisfy ourselves if the basis of provisions is appropriate, we are unable to assess whether the provisions made by the Group and Company are adequate. Any adjustments found to be necessary in respect of the matter set out in the above would have a consequential impact on the Group's and the Company's net assets position as at 30th April 2003.

In addition to the above, the consolidated accounts incorporated the JCE's results which were derived from unaudited management accounts of these JCE. We have not been able to perform audit procedures that we consider necessary to satisfy ourselves whether the Group's share of net losses of HK\$4,561,000 as stated in the consolidated profit and loss account for the year ended 30th April 2003 and the Group's share of net liabilities of the JCE of HK\$69,990,000 as stated in note 17 to the accounts as at 30th April 2003 were fairly stated.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the possible effect of the limitations in evidence available to us as set out in the basis of opinion section of this report, in our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 30th April 2003 and of the profit 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 limitation 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 consider necessary for the purpose of our audit.

TING HO KWAN & CHAN

Certified Public Accountants

Hong Kong, 13th September 2003