

Report of the Auditors



To the members

Shenyin Wanguo (H.K.) Limited

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 26 to 77 which have been prepared in accordance with accounting principles generally accepted in Hong Kong, other than as set out below.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare 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 financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 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 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.

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QUALIFIED OPINION ARISING FROM DISAGREEMENT ABOUT ACCOUNTING TREATMENT

As more fully explained in note 21 to the financial statements, the Group's long term receivable stated in the balance sheet represents an amount of HK\$183 million, net of a provision for bad and doubtful debts of HK\$110 million made during the year ended 31 December 2002, due from a debtor which is experiencing liquidity problems. This amount is due for repayment and there have been no settlements in respect thereof up to the date of this report. In our opinion, although the Group has made a provision for bad and doubtful debts of HK\$110 million against the long term receivable as at 31 December 2003, the Group is unlikely to recover the remaining amount of HK\$183 million in full and a further provision should have been made against this receivable in the financial statements. However, due to the absence of sufficient information, it is impracticable to quantify the amount of the sufficient provision to be made and the amount of this provision which should have been charged to the profit and loss accounts of the current and prior years. If sufficient provision had been made, the Group's profit before tax for the current and prior years would have been reduced by the amount of the provision relating to the respective years, and the Company's and Group's net assets at 31 December 2003 would have been reduced by the aggregate amount thereof.

Our auditors' reports dated 20 April 2001, 17 April 2002 and 11 April 2003, on the financial statements of the Group for the years ended 31 December 2000, 2001 and 2002, were also qualified in respect of this long term receivable, which amounted to HK\$286 million as at 31 December 2000 and 2001 and HK\$183 million, net of provision for bad and doubtful debts of HK\$110 million, as at 31 December 2002. Accordingly, some or all of the provision referred to above may relate to prior years.

Except for the absence of a provision against the net long term receivable balance of HK\$183 million referred to above, 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 December 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 Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

16 April 2004