

AUDITORS' REPORT



Lam, Kwok, Kwan & Cheng C.P.A.
Limited
Certified Public Accountants
林郭關鄭會計師事務所有限公司

Room 1502-3A, 15th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong.
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TO THE MEMBERS OF FU CHEONG INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 17 to 40 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong 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, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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 Hong Kong 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 except the scope of our audit was 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 Company'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. However, the evidence available to us was limited by the reason that approximately HK\$2.2 million out of the total purchase approximately of HK\$13 million were settled by cash. For those cash payments, we are unable to obtain third parties evidence in supporting the delivery of cash except receipts and confirmations from the recipients.

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

AUDITORS' REPORT *(continued)*

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 for the matters referred to in the above paragraphs, in our opinion the financial statements give a true and fair view, in all material respects, of the state of the company's affairs as at 31 December 2003 and of its results and cash flow statement for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

In respect alone of the limitation on our work relating to the matters referred to in the above paragraphs, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

LAM, KWOK, KWAN & CHENG C.P.A. LIMITED

Certified Public Accountants

Lam Sing Hung

Practising certificate number – P00961

Hong Kong, 19 April 2004

F235/JL/644/642