

RSM! Nelson Wheeler

羅申美會計師行

Certified Public Accountants

**TO THE MEMBERS OF
JACKLEY HOLDINGS LIMITED***(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 25 to 78 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 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 statements and to report our opinion solely to you, as a body, 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 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 Group's and the Company'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 regarding the opening figures and comparative figures available to us was limited. We draw your attention to the fact that the financial statements for the year ended 31 December 2002 were audited by another firm of accountants who have expressed a disclaimer opinion as to whether the financial statements gave a true and fair view of the state of affairs of the Company and of the Group and of the profit and cash flows of the Group.

Basis of opinion (continued)

We are required to satisfy ourselves as to the accuracy of the figures brought forward as at 1 January 2003 and the comparative figures included in these financial statements. The work we normally carry out to enable us to confirm the accuracy of these figures includes a review of prior year audit files. We were not given access to the audit files of the previous auditors for the year ended 31 December 2002 and we have not been able to carry out alternative audit procedures covering the year ended 31 December 2002 to enable us to express an opinion on the figures brought forward as at 1 January 2003 and the comparative figures in these financial statements.

Any adjustment to the opening figures would have a consequential significant effect on the results of the Group for the years ended 31 December 2002 and 2003.

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.

Fundamental uncertainty relating to going concern basis

In forming our opinion we have considered the adequacy of the disclosures made in note 2 to the financial statements which explains that in preparing the financial statements, the directors have given consideration to the future operations and financing of the Group. The financial statements have been prepared on a going concern basis, the validity of which is subject to the successful outcome of the measures to be implemented by the Company and the Group. The financial statements do not include any adjustments that would result from the failure of these measures. We consider that appropriate disclosures have been made but the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to adopt the going concern basis are so extreme that we have disclaimed our opinion.

Disclaimer of opinion

Because of the significance of the possible effects of the limitation in evidence available to us regarding the figures brought forward as at 1 January 2003 and of the fundamental uncertainty relating to appropriateness of the going concern basis as set out above, we are unable to form an opinion as to whether 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 loss and cash flows of the Group for the year then ended and as to whether the financial statements 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 relating to the basis of opinion section of this report referred above:

- 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 and records had been kept.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong
29 April 2004