Deloitte.
德勤

TO THE MEMBERS OF HUABAO INTERNATIONAL HOLDINGS LIMITED
(FORMERLY KNOWN AS LEAPTEK LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 15 to 37 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 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 financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 that the scope of our work 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 circumstances of the Company and the Group, 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.

1. Our opinion on the financial statements of the Group for the year ended 31st March, 2003 was disclaimed in view of the pervasive nature of the limitations on the scope of our audit as explained in our audit report dated 18th June, 2003. Accordingly, we were unable to form an opinion as to whether the net liabilities of the Group as at 31st March, 2003 were free from material misstatement. We were also unable to satisfy ourselves as to whether the comparative figures as at 31st March, 2003 and for the year then ended are free from material misstatement. Any adjustments to the opening net liabilities of the Group would affect the loss and cash flows of the Group for the year ended 31st March, 2004.

Auditors' Report

2. As explained in note 2 (b) to the financial statements, an impairment loss of HK$1,400,000 was recognised in the consolidated income statement for the year in respect of an other investment held by a subsidiary which was disposed of during the year. However, as the Current Directors do not have any financial information concerning this subsidiary, the Current Directors were unable to satisfy themselves as to whether this impairment loss is free from material misstatement. Any adjustment to the above figure would affect the classification of the income statement for the year as between the impairment loss on other investment and the gain on disposal of subsidiaries.

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 FROM LIMITATION OF AUDIT SCOPE AND DISAGREEMENT ABOUT ACCOUNTING TREATMENT

As explained in note 2 (c) to the financial statements, the Company disposed of certain of its subsidiaries in March 2004 recognising a gain on disposal of subsidiaries amounting to HK$475,000. However, as the Current Directors do not have any available financial information concerning these subsidiaries, the results of these subsidiaries were not recognised in the consolidated income statement for the year except that an impairment loss of HK$1,400,000 was recognised in the consolidated income statement for the year in respect of an other investment held by one of these subsidiaries. Accordingly, the gain on disposal was calculated as the difference between the consideration received by the Company and the opening net liabilities of these subsidiaries adjusted for the impairment loss recognised. This is not in accordance with Statement of Standard Accounting Practice No. 32 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" which requires that the results of the subsidiaries be accounted for up to the date of disposal. As a result, the income statement for the year may be misclassified as between the gain on disposal and other relevant income statement account balances. It is not practicable to quantify the effects of the departure from this requirement.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March, 2004. Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the net liabilities of the Group as at 31st March, 2003 and the impairment loss recognised on an other investment held by a subsidiary which was disposed of during the year, and except for the failure to properly account for the disposal of subsidiaries as described above, in our opinion the financial statements give a true and fair view of the loss and cash flows of the Group for the year ended 31st March, 2004 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 relating to the net liabilities of the Group as at 31st March, 2003 and the impairment loss on an other investment:

- 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 of account had been kept.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
5th July, 2004