



Chartered Accountants
Certified Public Accountants

6/F, Wheelock House
20 Pedder Street
Central
Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF CHINA RICH HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 22 to 76 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors of the Company 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 Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibilities 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 Institute of Certified Public 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 Group and the Company, consistently applied and adequately disclosed.

BASIS OF OPINION *(Continued)*

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:

Included in the Group's interests in associates as at 31 July 2004 is the Group's share of net assets of GreaterChina Technology Group Limited ("GreaterChina") of HK\$35,603,000. The auditors of GreaterChina issued a qualified opinion on the financial statements of GreaterChina for the year ended 31 July 2004 details of which are explained in note 19 to the financial statements. The financial statements of GreaterChina for the year ended 31 July 2004 were not audited by us. We have been unable either to obtain sufficient reliable information or to carry out any alternative auditing procedures to satisfy ourselves as to the value of the Group's share of net assets of GreaterChina included in the consolidated balance sheet as at 31 July 2004. We have also been unable either to obtain sufficient reliable information, or to carry out alternative auditing procedures to satisfy ourselves as to the carrying value of the Company's interest in GreaterChina of HK\$8,840,000 as at 31 July 2004.

Any adjustments that might have been found necessary in respect of the above scope limitations would have a consequential impact on the assets of the Group as at 31 July 2004 and the net loss attributable to the shareholders for the year then ended.

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 LIMITATIONS OF AUDIT SCOPE IN RESPECT OF AN ASSOCIATE

Except for any adjustments that might have been found to be necessary had we been able to satisfy ourselves regarding to the matters 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 July 2004 and of the loss 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.

HLB Hodgson Impey Cheng

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Hong Kong, 29 November 2004