



國 衛 會 計 師 事 務 所
Hodgson Impey Cheng

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 78 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 2003 is the Group's share of net assets of GreaterChina Technology Group Limited ("GreaterChina") of HK\$41,927,000. As further explained in note 21 to the financial statements, the auditors of GreaterChina issued a disclaimer opinion on the financial statements of GreaterChina for the year ended 31 July 2003 because of the possible effects of scope limitations in respect of (i) impairment for intellectual properties with a carrying value of HK\$58,302,048, (ii) the recoverability of remaining prepayments for advertising campaigns in the total of HK\$4,599,000 as at 31 July 2003; (iii) the recoverability of the amount of HK\$15,630,000 being deposit paid for the construction of a pharmaceutical plant in the PRC as at 31 July 2003; (iv) the consolidation of a subsidiary of GreaterChina based on the subsidiary's unaudited management accounts for the year ended 31 July 2001, which included bad debts written off of HK\$579,000 and creditors and accrued charges of HK\$785,000; (v) the lack of adequate documentary evidence for consultancy fee of HK\$3,800,000 included in the calculation of opening inventories, costs of sales and closing inventories; and the existence and conditions of inventories as at 31 July 2003; and (vi) the lack of sufficient information to assess the recoverability of the amounts of HK\$274,000,000 due from the subsidiaries of GreaterChina and whether or not the provision of HK\$155,000,000 made by the GreaterChina as at 31 July 2003 is adequate. 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 2003. Included in the Company's balance sheet as at 31 July 2003 is its 29% interest in GreaterChina of HK\$8,840,000. We have also 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 as at 31 July 2003.

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 2003 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 2003 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

Chartered Accountants

Certified Public Accountants

Hong Kong, 25 October 2004