



To the members

Jiuzhou Development Company Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 39 to 111 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 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 1981, 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an 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 Company's and the Group'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. 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.

UNCERTAINTY RELATING TO GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2.1 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in note 2.1 to the financial statements, liquidators (the "Liquidators") were appointed for a shareholder of the Company (the "Major Shareholder"), holding indirectly 337 million shares in the Company and provisional liquidators (the "Provisional Liquidators") were appointed for a shareholder of the Company (the "Registered Shareholder"), which is a wholly-owned subsidiary of the Major Shareholder and directly holds the aforesaid 337 million shares in the Company, pursuant to various winding-up orders.

UNCERTAINTY RELATING TO GOING CONCERN BASIS *(continued)*

The above 337 million shares (the "Pledged Shares") held by the Registered Shareholder were charged in previous years in favour of a wholly-owned subsidiary of a substantial shareholder of the Company (the "Chargee"), and a dispute has arisen between the Chargee and the Provisional Liquidators over the proposed transfer of such shares by the Chargee.

Any changes in the registered holders of the Pledged Shares may result in a change in the composition of the board of directors of the Company.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the fulfilment of the conditions of the conditional settlement agreement concerning the Pledged Shares entered into among other parties, the Major Shareholder, the Registered Shareholder, the Chargee and the Liquidators on 5 August 2006 (the "Settlement Agreement"). The fulfilment of the Settlement Agreement is in turn subject to the completion of the debt restructuring agreement entered into among other parties, the Major Shareholder and the Liquidators on 5 August 2006 (the "Debt Restructuring Agreement"). The financial statements do not include any adjustments that may be necessary should the conditions of the Settlement Agreement and the Debt Restructuring Agreement not be fulfilled and as a direct consequence of which any decisions be subsequently taken by the bankers, creditors, the Liquidators and/or the Provisional Liquidators over the future direction of the business and financial operations of the Group, which may affect the Group's ability to continue to operate as a going concern. Details of the circumstances relating to this uncertainty are described in note 2.1 to the financial statements. We consider that appropriate disclosures have been made in the financial statements and our opinion is not qualified in this respect.

OPINION

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 30 April 2006 and of the profit 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.

Ernst & Young

Hong Kong
24 August 2006