

AUDITORS' REPORT

Certified Public Accountants
Hong Kong Member Firm of
Grant Thornton International

Grant Thornton 
均富會計師行

**To the Members of
Fu Hui Holdings Limited**

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 13 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Companies Ordinance requires the directors 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 to you.

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 judgments 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.

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Qualified opinion: Disclaimer on view given by the financial statements

As more fully explained in note 2 to the financial statements, the financial statements have been prepared on a going concern basis, the validity of which is dependent on the successful outcome of the Group's current negotiations to secure the ongoing support of its bankers and other lender and obtain new working capital in order to enable the Group to continue as a going concern and meet its working capital and financing requirements for the foreseeable future. However, due to the uncertainty surrounding the outcome of these negotiations we have been unable to satisfy ourselves that the use of the going concern basis in preparing the financial statements is appropriate. Had the going concern basis not been used, adjustments would have to be made to reclassify non-current assets as current assets and non-current liabilities as current liabilities, reduce the value of assets to their recoverable amounts and provide for any future liabilities which might arise. Such adjustments may have a consequential significant effect on the net liabilities as at 31 December 2000 and the loss for the year then ended.

Because of the significance of the matters referred to in the preceding paragraph, 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 the Group as at 31 December 2000 or of the loss of the Group for the year then ended. In our opinion the financial statements give a true and fair view of the cash flows of the Group for the year ended 31 December 2000. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Ordinance.

Grant Thornton

Certified Public Accountants

Hong Kong, 20 April 2001