

德勤·關黃陳方會計師行

Certified Public Accountants
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**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF SHANGHAI MING YUAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 19 to 62 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 the 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 assume responsibility towards or accept liability to any other person for the content 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. 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 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.

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 31st December, 2003 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.

Auditors' Report

Without qualifying our opinion we draw to your attention to note 2 to the financial statements. The directors have been unable to satisfy themselves as to whether the amounts included in the consolidated income statement for the year ended 31st December, 2002 on the basis of the published unaudited interim report for the six months ended 30th June, 2002 are free from material misstatement. Also, the directors believe that the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 31st December, 2002 are not complete because these statements do not include transactions for the period from 1st July, 2002 to 22nd August, 2002 in respect of certain of the Group's former subsidiaries. Accordingly, the directors do not consider that the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 31st December, 2002 are free from material misstatement.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31st March, 2004