

Moores Rowland Mazars

摩斯倫·馬賽會計師事務所

Chartered Accountants
Certified Public Accountants

AUDITORS' REPORT TO THE SHAREHOLDERS OF FOREFRONT INTERNATIONAL HOLDINGS LIMITED (incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 31 to 94 which have been prepared in accordance with accounting principles generally accepted in Hong Kong, other than as set out below.

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, 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 planned 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 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.

致福方國際控股有限公司 (於開曼群島註冊成立的有限公司) 全體股東

本核數師已完成審核刊於第31至第94頁之財務報表，除下述者外，該等財務報表乃按照香港公認會計原則編製。

董事及核數師各自之責任

貴公司董事須負責編製真實兼公平之財務報表。在編製該等真實兼公平之財務報表時，董事必須採用適當之會計政策，並且貫徹應用該等會計政策。

本核數師之責任是根據審核之結果，對該等財務報表作出獨立意見，並僅向全體股東報告，除此之外本報告別無其他目的。本核數師不會就本報告的內容，向任何人士負上或承擔任何責任。

意見之基礎

本核數師乃按照香港會計師公會頒佈之核數準則進行審核工作，惟本核數師之工作受到下文所述限制。

審核範圍包括以抽查方式查核與財務報表所載數額及披露事項有關之憑證，亦包括評估董事於編製該等財務報表時所作之重大估計及判斷、會計政策是否適合貴公司及貴集團之具體情況，及有否貫徹運用並作出足夠之披露。

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 because, as explained in note 23 to the financial statements, subscription money for convertible bonds amounting to US\$5 million (equivalent to HK\$38,850,000), included in trade and other receivables in the balance sheet, has not been received by the Company, despite the convertible bonds having been issued to a person representing himself as the subscriber. We have not been able to obtain sufficient reliable evidence to assess the recoverability of the receivable and to assess the implications of the matter on the convertible bonds issued.

Fundamental uncertainty relating to the lawsuits against the Group

In forming our opinion, we have considered the adequacy of the disclosures made in note 29 to the financial statements which details the lawsuits against the Group for an aggregate claim of approximately HK\$14.8 million. The future settlement of these litigations may have an adverse effect on the net assets of the Group as at 31 December 2004 and the result for the year then ended. However, the outcome of these litigations is uncertain. We consider that appropriate disclosures have been made in the financial statements in this respect.

Fundamental uncertainty relating to the Taiwan Subsidiaries

Following the same reasons as set out in note 1 to the financial statements, the operations of the Group's Taiwan Subsidiaries as defined in note 1 to the financial statements, which represent a substantial part of the Group's business, have been disrupted. The directors are currently undertaking a number of measures to resolve the disputes and restore full control of the Taiwan Subsidiaries' operations.

本核數師在策劃審核工作時，均以取得本核數師認為必需之一切資料及解釋為目標，使我們能獲得充份之憑證，從而就該等財務報表是否存有重要錯誤陳述作合理之確定。然而，本核數師所獲得之憑證受到局限，原因是誠如財務報表附註23說明，就資產負債表中列作應收貿易帳款及其他應收款項之可換股債券認購款項5,000,000美元（相等於38,850,000港元），雖然該等可換股債券乃發行予聲稱為認購人的一名人士，惟貴公司尚未收取該等認購款項。本核數師未能獲取充足的可靠憑證以評估該等應收款項是否可收回，或此事對已發行可換股債券之含義。

有關針對集團之訴訟之基本不明朗因素

本核數師在訂定意見時，曾考慮財務報表附註29就有關針對貴集團提出之約14,800,000港元索償之訴訟，作出之披露是否足夠。日後若就此等訴訟作出清償，可能對貴集團於二零零四年十二月三十一日之資產淨值及截至該日止年度之業績有不利影響。然而，此等訴訟的結果尚未明朗。本核數師認為，財務報表就此方面已作出適當披露。

有關台灣附屬公司的基本不明朗因素

依照財務報表附註1所載相同理由，貴集團之台灣附屬公司（定義見財務報表附註1）之業務營運（佔集團業務之相當部分）已經受阻。董事現時實行多項措施務求解決有關紛爭並恢復台灣附屬公司之業務之全面控制權。

The financial statements have been prepared on a going concern basis, the validity of which depends on the satisfactory resolution of the matters referred to above and the successful attainment of profitable and positive cash flow operations. The financial statements do not include any adjustments that would result from a failure to attain the favourable results in respect of the above matters. If the outcome in respect of any of the above matters turns out to be unfavourable, the going concern basis might not be appropriate and, in such event, adjustments would have to be made to the financial statements to reduce the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Exclusion of Taiwan Subsidiaries from consolidation

As explained in note 1 to the financial statements, due to the absence of accounting information about the relevant subsidiaries and associates for the year ended 31 December 2004 that the Directors consider as reliable, the consolidated financial statements have excluded the results for the year and financial positions as at 31 December 2004 of certain subsidiaries and associates in Taiwan, which form a significant part of the Group. The Group's share of the net assets of these entities, based on latest audited financial information and totalling HK\$149,054,000 has been included in the consolidated balance sheet as interests in unconsolidated subsidiaries. The financial information extracted from the unaudited financial statements of these entities have been disclosed in note 10.

Whilst the directors consider that the exclusion of these subsidiaries is the best way of presenting the Group's financial position and the results for the year in the circumstances, the reason for the exclusion is not one of the reasons for exclusion provided for in Statement of Standard Accounting Practice 32 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" issued by the Hong Kong Institute of Certified Public Accountants ("SSAP 32") and, in this respect, the financial statements are not in compliance with SSAP 32.

財務報表乃按持續經營基準編製，其有效性取決於有關紛爭能否圓滿解決、業務能否成功達致有盈利及產生正數現金流量。財務報表並不包括任何因上述措施未能達成有利結果而作出之調整。倘若任何此等事宜不利，持續經營基準可能不適當，則財務報表或需作出調整以將 貴集團之資產之賬面值減至其可收回數額，以分別就任何可能產生之進一步負債計提撥備，並將非流動資產及負債重新分類為流動資產及負債。

不將台灣附屬公司綜合入賬

誠如財務報表附註1所說明，由於有關附屬公司及聯營公司欠缺獲董事認為可靠的截至二零零四年十二月三十一日止年度之會計資料，故綜合財務報表並不包括構成 貴集團相當部分之台灣若干附屬公司及聯營公司截至二零零四年十二月三十一日止年度及於該日之業績及財務狀況。根據最新近之經審核財務資料， 貴集團分佔此等實體之資產淨值合共149,054,000港元，在綜合資產負債表中已計作於未綜合附屬公司之權益。摘自此等實體之未經審核財務報表之財務資料已於附註10披露。

儘管董事認為不將此等附屬公司綜合入帳是在此情況下呈報 貴集團在本年度之財務狀況及業績之最佳做法，惟不將此等附屬公司綜合入帳之原因，並非香港會計師公會第32號「綜合財務報表及於附屬公司之投資之會計處理」所規定之原因之一，而就此而言，財務報表並不符合會計實務準則第32號。



Auditors' Report 核數師報告

Qualified opinion: Disclaimer on view given by financial statements

Because of the significance of the possible effect of the limitation in evidence and the fundamental uncertainties referred to above, 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 Group and of the Company as at 31 December 2004 and of the loss and cashflows of the Group for the year then ended.

Chartered Accountants
Certified Public Accountants
Hong Kong, 25 April 2005

保留意見：對財務報表所作意見之免責聲明

鑑於上文所述，憑證受局限可能產生之影響以及基本不明朗因素之重要性，對於財務報表是否真實兼公平地顯示 貴集團及 貴公司於二零零四年十二月三十一日的財務狀況及 貴集團截至該日止年度之虧損及現金流量，吾等未能訂定意見。

特許會計師
執業會計師
香港，二零零五年四月二十五日