

AUDITORS' REPORT**德勤·關黃陳方會計師行**

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF MATRIX HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 17 to 39 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 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 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 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 Company and the Group, consistently applied and adequately disclosed.

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.

- As explained in note 2 (a) to the financial statements, as part of the restructuring executed during the year residual indebtedness of approximately HK\$189,441,000 was waived. Included within such waived indebtedness was an amount due to a subsidiary not consolidated of approximately HK\$68,222,000, in respect of which we were unable to obtain confirmation as at 31st December, 1999. Any adjustment found to be necessary to the amount due to the subsidiary not consolidated would affect the opening reserves of the Group as at 31st December, 1999 and the profit of the Group for the year ended 31st December, 2000.
- Included in the restructuring cost for the year is an amount of HK\$4,654,000 reimbursed to the former shareholders through the former Company's lawyer. We were unable to obtain the third party supporting documentation to satisfy ourselves as to the nature and validity of the above expense. Any adjustment would affect the net assets of the Company and the Group as at 31st December, 2000 and the profit of the Group for the year then ended.

AUDITORS' REPORT

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.

OWNERSHIP OF MATRIX PLASTIC MANUFACTURING (ZHONGSHAN) CO., LTD. ("MPMZ")

Without qualifying our opinion, we draw attention to note 2 (b) to the financial statements which explains that during the year the directors became aware that in October 1999, there was a court judgment regarding the ownership of MPMZ, an indirect wholly-owned major subsidiary of the Company, in connection with a claim by a trade creditor which has subsequently been settled. The Company is in the process of making an application for a judicial review of the judgment regarding the ownership of MPMZ. The directors have sought independent legal advice and are of the opinion that the aforesaid judgment can be overruled and will have no material impact on the financial position and operations of the Group.

QUALIFIED OPINION ARISING FROM LIMITATIONS IN AUDIT SCOPE AND FROM DISAGREEMENT ABOUT THE EXTENT OF DISCLOSURE

In respect of related party disclosures as required by Statement of Standard Accounting Practice No. 20 issued by the Hong Kong Society of Accountants, comparative figures have not been disclosed in the financial statements.

Except for any adjustments that might have been found necessary had we been able to obtain sufficient evidence concerning the matters set out in the basis of opinion section of this report and except for the absence of the disclosure referred to in the above paragraph, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2000 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.

In respect of alone of the limitation of our work as set out in the basis of opinion section of this report:

- we have not obtained all the information and explanation that we considered necessary for the purpose of our audit; and
- we were unable to determine whether the proper books of account have been kept.

Without qualifying our opinion, we draw attention to note 2 (d) to the financial statements which explains that in view of the extent of the missing documentation relating to transactions entered into by the Group during the year ended 31st December, 1999, the directors have been unable to satisfy themselves that the comparative figures to the consolidated income statement on page 17 are free from material misstatement.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 22nd March, 2001