

**ARTHUR ANDERSEN**

安達信公司

Arthur Andersen & Co

21st Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Tel 852 2852 0222
Fax 852 2815 0548

**TO THE MEMBERS OF
MAGICIAN INDUSTRIES (HOLDINGS) LIMITED**
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 33 to 61 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 judgements 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, 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.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on a going concern basis, the validity of which depends upon the success of future operations of the business of the Group and availability of adequate working capital to satisfy the repayment requirements of the Group within the next twelve months. The financial statements do not include any adjustments that may be necessary should the repayment requirements not be satisfied. We consider that appropriate estimates and disclosures have been made in respect of the fundamental uncertainty relating to the going concern basis set out above. Our opinion is not qualified in this respect.

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 March, 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

COMPARATIVE AMOUNTS

The comparative amounts presented in the consolidated financial statements were the subject of a number of audit scope limitations which were detailed in the auditors' report dated 31st October, 2000 issued by certified public accountants other than Arthur Andersen & Co in respect of the financial year ended 31st March, 2000 and further explained in Note 37 of the accompanying financial statements. As a result, there are possible misclassifications of the comparative amounts as shown in the consolidated financial statements. No adjustments have been made in the current year in respect of the comparative figures which are stated at their previously reported amounts.

Arthur Andersen & Co
Certified Public Accountants

Hong Kong
13th July, 2001

