



Certified Public Accountants
Hong Kong Member Firm of
Grant Thornton International

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**TO THE MEMBERS OF
INNOVATIVE INTERNATIONAL (HOLDINGS) LIMITED**

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 22 to 58 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 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 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.



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Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of their preparation made by the directors. As explained in note 2, the financial statements have been prepared on a going concern basis, the validity of which depends upon the successful attainment of profitable and positive cash flow operations by the Group and the continuing financial support of its bankers and convertible note holders. The financial statements do not include any adjustments that would result from a failure of the Group to attain profitable and positive cash flow operations and to obtain continuing financial support of its bankers and convertible note holders. Had the going concern basis not been used, adjustments would have to be made in the financial statements to reclassify non-current assets as current assets, 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 31st March 2001 and the loss for the year then ended. We consider that appropriate disclosures have been made but the fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.

Disclaimer of opinion

Because of the fundamental uncertainty relating to the appropriateness of the going concern basis, 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 31st March 2001 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 31st March 2001. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton

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Hong Kong

26th July 2001