

## 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

### **Seapower Resources International Limited**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 26 to 85 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, 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 of 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.

**BASIS OF OPINION** (continued)

However, the evidence available to us was limited as follows:

- (1) Included in the consolidated income statement is a loss on disposal of a subsidiary of approximately HK\$3 million. However, we were unable to obtain the sale and purchase agreement or other documentary evidence in respect of the disposal. Also, full provision has been made in respect of the outstanding receivable arising from the disposal of approximately HK\$27 million. Against this background, we were unable to satisfy ourselves as to the validity of the disposal and as to whether the recorded loss on disposal and the subsequent provision are fairly stated.
- (2) As explained in note 15 to the financial statements, included in the Group's property, plant and machinery as at 31st March, 2001 were properties held for development of approximately HK\$54 million. We were unable to obtain sufficient information and explanations regarding the valuation of the properties under development as at 31st March, 2001 to assess whether any provision is required for impairment in value.

Any adjustments to the figures mentioned above would affect the net assets of the Company and the Group as at 31st March, 2001 and the results of the Group for the year then ended.

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 which explain the current liquidity difficulties of the Group.

The Group's servicing of borrowings from certain financial creditors (the "Financial Creditors") were not made according to the schedules set by the Financial Creditors such that the Group's total borrowings from these Financial Creditors have become due for immediate repayment. As a result, receivers have been appointed by certain of the Financial Creditors (the "Banking Syndicate") in respect of two of the Group's three cold storage warehouses (the "Properties"). Also, one member of the Banking Syndicate has taken action in connection with their specific security over certain Group assets. At the same time, the Group has put certain of its investment properties to tender with a view for sale so as to repay the borrowings from a secured financial creditor (not a member of Banking Syndicate).

## **FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS** (continued)

The financial statements have been prepared on a going concern basis on the basis that in the context of the events described above, agreement can be reached with the Financial Creditors to provide the Group with sufficient funding for its requirements.

The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available. The financial statements do not include any adjustments that may result from the failure to obtain such funding. We consider that the fundamental uncertainty has been adequately disclosed in the financial statements and our opinion is not qualified in this respect.

## **QUALIFIED OPINION ARISING FROM LIMITATIONS OF AUDIT SCOPE**

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the disposal of a subsidiary and concerning the valuation of properties held for development, 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 loss 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 alone of the limitations on our work set out in the basis of opinion section of this section of this report:

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

  
*Deloitte Touche Tohmatsu*  
Certified Public Accountants

Hong Kong, 26th July, 2001