



摩斯倫會計師事務所

To the members

## **Fujian Group Limited**

*(incorporated in Hong Kong with limited liability)*

We have audited the accounts on pages 25 to 68 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 Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts 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 accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, 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 accounts are free from material misstatement. However, the evidence available to us was limited as follows:

- (1) The net gain on rescission of an acquisition agreement of HK\$145,077,792 as shown in the consolidated income statement and as disclosed in notes 6 and 32 to the accounts was substantially derived from balances in the accounts for the year ended 31st March 2000 in respect of which the previous auditors had expressed a disclaimer of opinion for audit scope limitations. We are unable to satisfy ourselves as to whether such gain was fairly stated as there were no satisfactory audit procedures that we could adopt to verify the relevant balances in the accounts for the year ended 31st March 2000.

Any adjustments to these balances would have a consequential effect on the Group's loss for the year ended 31st March 2001.

## ***Report of the Auditors***

---

- (2) The Group's interest in jointly controlled entities as stated in the consolidated balance sheet as at 31st March 2001 and the share of the results of those jointly controlled entities as shown in the consolidated income statement for the year then ended were derived from unaudited management accounts. We have not been able to perform procedures that we consider necessary to satisfy ourselves whether:
- i. the Group's and the Company's interest in the jointly controlled entities of HK\$97,650,855 and HK\$80,412,362 respectively as at 31st March 2001 and the Group's share of their results of HK\$52,511,626 for the year then ended were fairly stated;
  - ii. the Group's and the Company's loan to a jointly controlled entity of HK\$22,674,653 and HK\$22,670,000 respectively as at 31st March 2001 were fairly stated;
  - iii. the Group's obligations to a jointly controlled entity of HK\$12,676,078 and HK\$11,136,187 as at 31st March 2001 and 31st March 2000 respectively were fairly stated; and
  - iv. the information as stated in note 19(iv) to the accounts were fairly stated.

Any adjustments arising in relation to the above matters would have a consequential significant effect on the Group's loss and cash flows for the year ended 31st March 2001 and the net liabilities of the Group and the Company as at that date.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### *Fundamental uncertainties*

In forming our opinion, we have considered the adequacy of the disclosures made in note 1(a) to the accounts which explains that the adoption of going concern assumption is appropriate, provided that (i) an agreement could be reached with the bankers, substantial shareholders, other creditors and the potential investor for further restructuring the Group's borrowings; (ii) the Group could revitalise its financial position and business or any other further restructuring measures to be implemented to secure new or restructured funding for the Group and on the successful turnaround of its business. The accounts do not include any adjustments that would result from the failure of implementing these measures. 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.

# ***Report of the Auditors***

---

## **QUALIFIED OPINION: DISCLAIMER ON VIEW GIVEN BY THE ACCOUNTS**

Obligations to a jointly controlled entity recognised in accordance with a shareholder agreement entered into by the Company have been reflected in the consolidated balance sheet of the Group of HK\$12,676,078 and HK\$11,136,187 as at 31st March 2001 and 31st March 2000 respectively. In our opinion, such obligations should also be reflected in the balance sheet of the Company. The inclusion of which will increase the net liabilities and the shareholders' deficiencies of the balance sheet of the Company as at the respective dates. However, it is not practicable to quantify the effect of this omission in the accounts as the scope of our works is limited as stated in (2)(iii) of the "Basis of opinion" section of this report.

Because of the significance of possible effects of the limitation in evidence available to us on matters set out in the "Basis of opinion" section of this report and the fundamental uncertainties referred above, we are unable to form an opinion as to whether the accounts give a true and fair view of the state of affairs of the Group and the Company as at 31st March 2001 and of the loss and cash flows of the Group for the year then ended and as to whether the accounts have been properly prepared in accordance with the Companies Ordinance.

In respect alone of the limitations on our work referring to matters specified in the "Basis of opinion" section:

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

## **COMPARATIVE AMOUNTS**

The comparative amounts presented in the consolidated accounts were subject to a number of audit scope limitations and fundamental uncertainties which were detailed in the auditors' report dated 30th August 2000 issued by another certified public accountants in respect of the financial year ended 31st March 2000 and further explained in note 40 of the accounts. As a result, there are consequential significant effects of the comparative amounts as shown in the consolidated accounts. No adjustments have been made in the current year in respect of the comparative figures which are stated at their previously reported amounts.

*Moores Rowland*  
*Chartered Accountants*  
*Certified Public Accountants*  
Hong Kong  
22nd August 2001