

## **INDEPENDENT REVIEW REPORT**

### **TO THE BOARD OF DIRECTORS OF WAH LEE RESOURCES HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **INTRODUCTION**

We have been instructed by the Company to review the consolidated income statement for the six months ended 31 December 1999 as set out on pages 7 to 11.

### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing interim financial information in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The preparation of the consolidated income statement is the responsibility of, and has been approved by, the directors.

### **REVIEW WORK PERFORMED**

We conducted our review with reference to the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants, except that the scope of our review was limited as explained below.

A review consists principally of making enquiries of the group management and applying analytical procedures to the consolidated income statement and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the consolidated income statement.

The scope of the review was limited as set out below.

1. Our report on the financial statements of the Group for the year ended 30 June 1999 was disclaimed in view of the pervasive nature of the limitations in the scope of our audit resulting from the inability of the executive directors appointed on 10 December

2001 (the "Directors") to locate sufficient documentary information as explained in note 1(a) to the consolidated income statement. Accordingly, we were unable to form an opinion as to whether the net liabilities of the Group as at 30 June 1999 were fairly stated. Any adjustments to the opening balances of the Group as at 1 July 1999 would affect the results of the Group for the six months ended 31 December 1999.

2. As explained by the Directors in note 1(b) to the consolidated income statement, the Directors have found that accounting records have been mislaid and accordingly have encountered the limitations referred to below in preparing the consolidated income statement:

(i) Turnover includes recorded sales of approximately HK\$131,100,000 in respect of which the Directors were unable to locate supporting delivery documentation. Accordingly, the Directors have been unable to satisfy themselves as to whether material modification is required to be made to sales as stated in the consolidated income statement.

(ii) Net loss for the period has been arrived at after charging/crediting the following amounts in respect of which the Directors were unable to locate third party supporting documentation:

- cost of sales of approximately HK\$115,700,000;
- other revenue of approximately HK\$1,200,000;
- administrative expenses of approximately HK\$13,000,000;
- finance costs of approximately HK\$14,200,000; and
- minority interests of approximately HK\$200,000.

Accordingly, the Directors have been unable to satisfy themselves as to whether material modifications are required to be made to these amounts as stated in the consolidated income statement.

3. As explained by the Directors in note 1(c) to the consolidated income statement, included in recorded assets of the Group as at 31 December 1999 were fixed assets of approximately HK\$31,700,000. In the absence of any fixed assets register of the

Group as at 31 December 1999, the Directors were unable to satisfy themselves as to the existence of fixed assets at 31 December 1999. Accordingly, they were unable to satisfy themselves as to whether material modifications were required to be made to fixed assets as stated in the books and records.

4. As explained by the Directors in note 1(d) to the consolidated income statement, the Directors were unable to obtain sufficient evidence in respect of bank balances, investment properties and prepayments, deposits and other receivables of approximately HK\$8,300,000, HK\$34,700,000 and HK\$8,500,000, respectively, at 31 December 1999 recorded in the books and records of the Group so as to satisfy themselves as to whether material modifications were required to be made to these amounts as stated in the books and records.
5. As explained by the Directors in note 1(e) to the consolidated income statement, the Group did not carry out physical count of inventories at 31 December 1999 and, accordingly, the Directors were unable to satisfy themselves as to the existence of inventories of approximately HK\$4,600,000 at 31 December 1999 recorded in the books and records of the Group. Accordingly, they were unable to satisfy themselves as to whether material modification was required to be made to inventories as stated in the books and records.
6. As explained by the Directors in note 1(f) to the consolidated income statement, the Directors were unable to satisfy themselves as to the completeness of accounts payable and accrued charges, taxation and borrowings of approximately HK\$50,900,000, HK\$9,800,000 and HK\$272,800,000, respectively, at 31 December 1999 recorded in the books and records of the Group. Accordingly, they were unable to satisfy themselves as to whether material modifications were required to be made to these amounts as stated in the books and records.
7. As explained by the Directors in note 1(g) to the consolidated income statement, the consolidated income statement has been prepared based on the available books and records maintained by the Group. However, in view of the lack of evidence available as described above, the Directors are unable to represent that all transactions entered into by the Group are reflected in the books and records and in the consolidated income statement.

Any adjustments to the above figures would as appropriate affect the net liabilities of the Group as at 31 December 1999 and the results of the Group for the six months ended 31 December 1999.

### **DISAGREEMENT ABOUT THE EXTENT OF DISCLOSURE**

As explained in note 4 to the consolidated income statement, diluted loss per share as required by Statements of Standard Accounting Practice 5 (Revised) "Earnings Per Share" have not been disclosed in the consolidated income statement.

### **INABILITY TO REACH A REVIEW CONCLUSION**

Because of the significance of the possible effect of the limitations in evidence available to us, we are unable to reach a review conclusion as to whether material modifications that should be made to the consolidated income statement for the six months ended 31 December 1999.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 8 March 2002