



致東北輸變電機械製造股份有限公司
全體股東
(於中華人民共和國註冊成立之股份有限公司)

To the shareholders of Northeast Electrical Transmission & Transformation Machinery Manufacturing Company Limited
(Incorporated in the People's Republic of China with Limited Liability)

本核數師已完成審核第57頁至第126頁之財務報表，該等財務報表乃按照香港普遍採納之會計原則編制。

We have audited the financial statements set out on pages 57 to 126 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

董事及核數師各自之責任

RESPECTIVE RESPONSIBILITIES OF THE COMPANY'S DIRECTORS AND AUDITORS

編制真實兼公平之財務報表乃貴公司董事之責任。在編制該等真實兼公平之財務報表時，董事必須採用適當之會計政策，並且貫徹應用該等會計政策。

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.

本核數師之責任是根據審核之結果，對該等財務報表做出獨立意見，並向股東報告。

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

意見之基礎

BASIS OF OPINION

除已於以下解釋對本核數師工作範圍之限制外，本核數師已按照香港會計師公會所頒布之核數準則進行審核工作。

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.

審核範圍包括以抽查方式查核與財務報表所載數額及披露事項有關之憑證，亦包括評審董事於編制該等財務報表時所做之重大估計和判斷，所採用之會計政策是否適合貴公司與貴集團之具體情況，及有否貫徹應用並足夠披露該等會計政策。

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 Company's and the Group's circumstances, consistently applied and adequately disclosed.



意見之基礎 (續)

本核數師在策劃審核工作時，以取得所有本核數師認為必需之資料及解釋為目標，以便獲得充份憑證，就該等財務報表是否存在重大錯誤陳述，作出合理之確定。然而，可提供予本核數師之証據受到以下之限制：

1. 持續經營基準的有效性

如本財務報表附註2所示，主要由於貴集團自1999年起出現虧損，貴公司未能遵守銀團貸款合約中的財務指標之承諾，銀團貸款人已正式要求貴公司即時全數償還銀團貸款金額40,000,000美元(折合人民幣331,064,000元)及相關之應計利息。但貴公司未能償還任何款項予銀團貸款人，故此銀團貸款人已將一份清盤貴公司之訴狀按照香港公司條例於2001年12月27日提呈香港高等法院。該份訴狀之聆訊日期已延遲到2002年4月29日。於2002年4月4日，貴公司再接到遼寧省高級人民法院(「法院」)發出的相同銀團貸款人控訴貴公司以上提及的逾期借款的起訴狀，然而，開庭審理此案之時間亦已被延期。貴公司目前正與銀團貸款人就債務償還繼續磋商，於本報告日，相方仍未達成任何協議。

BASIS OF OPINION (Continued)

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

1. The appropriateness of the going concern basis

As explained in note 2 to the financial statements, principally as a result of the Group incurring losses since the year 1999, the Company was not able to comply with the financial covenants of a syndicated bank loan. The syndicate has formally demanded the Company to immediately repay the syndicated bank loan of US\$40,000,000 (equivalent to Rmb331,064,000) in full together with accrued interests thereon. However, the Company was not able to make any repayments to the syndicate and as a result, the syndicate petitioned to the High Court of Hong Kong on 27 December 2001 to wind up the Company pursuant to the Hong Kong Companies Ordinance. The hearing of the petition has been deferred to 29 April 2002. On 4 April 2002, the Company received another writ issued by the High Court of Liaoning Province (the "Court") upon application by the same syndicate in respect of the abovementioned overdue loan amount. The hearing of this case has been postponed pending the negotiations between the Company and the syndicate regarding the repayment of the loan amount. As of the date of this report, no agreement has been reached between the parties.



意見之基礎 (續)

1. 持續經營基準的有效性 (續)

除卻以上提及的事宜，貴集團於1999，2000及2001年度分別發生重大虧損計人民幣168,336,000元，人民幣364,737,000元及人民幣780,140,000元。再者，貴公司及貴集團於2001年12月31日之淨流動負債分別為人民幣149,424,000元及人民幣886,045,000元，本財務報表仍基於持續經營基準而編制。該持續經營基準的有效性基於貴公司董事的以下假設成立與否：(a)貴公司與銀團貸款人就還款方案達成一致；(b)貴集團之財務狀況於2002年將有所改善；及(c)東北輸變電設備集團公司(「東北電」)及其他關聯公司欠款資產抵債事宜正在辦理中。然而鑑於缺乏足夠的書面證明，我們無法確定貴公司董事們所作的上述假設是否合理，因此我們無法確定持續經營基準的有效性。本核數師亦未能採取其他滿意的審核程序以令本核數師確定持續經營基準的有效性，而因此可能對貴公司及貴集團於本年度的虧損及於2001年12月31日之淨資產產生重大影響。

倘不採用持續經營基準，則貴公司及貴集團之財務報表可能需要作出調整，包括將非流動資產重新分類為流動資產，將長期負債重新分類為流動負債，將資產之價值減至其可收回價值，及就任何可能出現的負債提撥準備。

BASIS OF OPINION (Continued)

1. The appropriateness of the going concern basis (Continued)

Despite the above and the Group incurring significant losses of Rmb168,336,000, Rmb364,737,000 and Rmb780,140,000 for the years ended 31 December 1999, 2000 and 2001 respectively and the Company and the Group having net current liabilities of Rmb149,424,000 and Rmb886,045,000 respectively as at 31 December 2001, the financial statements have been prepared on a going concern basis. The validity of this basis depends on the assumptions made by the directors that the Company would be successful in (a) agreeing with the syndicate the debt repayment agreement; (b) improving the financial performance of the Group in 2002; and (c) recovering the balances due from Northeast Electrical Transmission and Transformation Equipment Group Corporation ("NET") and other related parties through the impending assets transfers. However, in the absence of sufficient documentary evidence, we have been unable to ascertain whether the above assumptions made by the directors are reasonable. Accordingly, we have been unable to satisfy ourselves that the going concern basis is appropriate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the going concern basis, which may have a consequential significant effect on the Group's loss for the year and the net assets of the Company and the Group as at 31 December 2001.

Had the going concern basis not been appropriate, adjustments would need to be made in the financial statements of the Company and the Group to reclassify non-current assets as current assets, to reclassify non-current liabilities as current liabilities, to reduce the value of assets to their net realisable amounts and to provide for any further liabilities which might arise.



意見之基礎 (續)

2. 遼寧信託投資公司(「遼信」)欠款的
可收回性

於2001年12月31日，貴公司及貴集團的淨資產中包括應收遼信欠款21,793,000美元(折合人民幣180,370,000元)，該欠款包括本金20,000,000美元(折合人民幣165,532,000元)及利息1,793,000美元(折合人民幣14,838,000元)。如本財務報表附註25所示，該欠款原為存放於遼信之長期存款，作為遼信因銀團貸款20,000,000美元(見上段)而給予銀團貸款人作擔保之條件。故此，於貴公司及貴集團於2000年12月31日結算時之資產負債表內被列入非流動資產。但於2001年10月遼信之法人資格已被撤銷而其一切金融業務活動亦被停止以作清算。貴公司已登記上文提及存於遼信的20,000,000美元(折合人民幣165,532,000元)並提供債權證明以作清算之用，於本報告日相關清算工作正在進行中。該欠款於2001年12月31日之資產負債表日列入流動資產。基於清算之結果尚未知悉，董事們並未對該欠款提撥壞帳準備。現時並沒有關於該清算可能出現的結果之資料，因此，我們無法確定該金額的可收回性。本核數師亦未能採取其他滿意的審核程序關於該項遼信欠款的可收回性，而因此可能對貴公司及貴集團於本年度的虧損及於2001年12月31日之淨資產產生重大影響。

BASIS OF OPINION (Continued)

2. The recoverability of an amount due from Liaoning Trust and Investment Corporation ("Liaoning Trust")

As at 31 December 2001, the net assets of the Company and the Group included an amount due from Liaoning Trust of US\$21,793,000 (equivalent to Rmb180,370,000) which comprised a principal of US\$20,000,000 (equivalent to Rmb165,532,000) and interests of US\$1,793,000 (equivalent to Rmb14,838,000). As explained in note 25 to the financial statements, the amount was originally a long term deposit placed with Liaoning Trust as a condition for Liaoning Trust granting a guarantee to the syndicate for the syndicated bank loan of US\$20,000,000 mentioned in the foregoing paragraph. As such, it was classified as a non-current asset of the Company and the Group as at 31 December 2000. However, Liaoning Trust's status as a legal person was cancelled in October 2001 and its financial activities have been suspended pending its liquidation. The Company has since registered and submitted proof of debt in respect of the abovementioned deposits of US\$20,000,000 (equivalent to Rmb165,532,000) for liquidation purposes. The liquidation of Liaoning Trust is still in progress as of the date of this report. The amount has been shown as current asset in the balance sheet at 31 December 2001. The directors have not made any provision against this amount pending the outcome of the liquidation. Information regarding the likely outcome of the liquidation is not available. Accordingly, we have been unable to satisfy ourselves as to the recoverability of the amount. There were no other satisfactory audit procedures that we could adopt in relation to the recoverability of the amount due from Liaoning Trust, which may have a consequential significant effect on the Company's and the Group's loss for the year and the net assets of the Company and the Group as at 31 December 2001.



意見之基礎 (續)

3. 對第三方借款提撥壞帳準備的適當性及充分性

於2000年12月31日，貴公司及貴集團之淨資產中包括應收第三方借款計人民幣96,000,000元，由於我們並未能取得足夠資料以確定該借款的可收回性，我們已於去年就此發表保留意見，我們的保留意見詳情已於去年年報中詳示。

如本財務報表附註24詳示，該借款原於1999年9月15日到期，其後雙方協議還款日延長至2000年12月31日並已取得一些物業的擁有權及另一家私人公司的股權作為抵押。於截至2001年12月31日止年度內，貴公司著手進行收款程序，包括採取法律行動而收回人民幣3,121,000元。於2001年12月31日，董事們就未能收回之金額人民幣92,879,000元提撥壞帳準備人民幣62,879,000元。但由於本核數師並未能取得足夠的書面證明以評估董事們提撥壞帳準備之基準，所以並未能確定已提撥壞帳準備人民幣62,879,000元是否適當及充分。本核數師亦未能採取其他滿意的審核程序以令本核數師確定該項撥備的時間性，適當性及充分性，而因此可能對貴公司及貴集團截至2000年及2001年12月31日止年度的虧損及貴公司及貴集團於該日之淨資產產生重大影響。

BASIS OF OPINION (Continued)

3. The appropriateness and adequacy of the provision for non-recovery of loans to a third party company

As at 31 December 2000, the net assets of the Company and the Group included loans to a third party company of Rmb96,000,000. As we had been unable to satisfy ourselves that these loans were recoverable, we had qualified our auditors' report in the previous year. Details of our qualification were more fully explained in the 2000 annual report.

As explained in note 24 to the financial statements, the loans were originally repayable on 15 September 1999. Both parties had subsequently agreed to extend the loan repayment date to 31 December 2000 and certain property interests and shares in a private company had been pledged as securities for the loans. During the year ended 31 December 2001, the Company recovered Rmb3,121,000 after exerting collection efforts, including taking legal actions. At 31 December 2001, the Company made a provision of Rmb62,879,000 against the outstanding balance of Rmb92,879,000 of these loans. However, as we have not been provided with sufficient documentary evidence to assess the basis on which the provision for non-recovery was made, we are unable to satisfy ourselves whether or not the provision for non-recovery of Rmb62,879,000 is appropriate or adequate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the timing, appropriateness and adequacy of the provision made, which may have a consequential significant effect on the Company's and the Group's loss for the years ended 31 December 2000 and 2001 and the net assets of the Company and the Group as at those dates.



意見之基礎 (續)

4. 對應收主要股東及其他關聯公司
提撥壞帳準備的適當性及充分性

於2000年12月31日，貴集團的淨資產中包括應收該日為控股公司之東北電及與東北電有關聯之公司款項計人民幣217,341,000元。由於截至2000年12月31日止年度之財務報表中並無提撥壞帳準備，我們已於去年就此發表保留意見，我們的保留意見詳情已於去年年報中詳示。

於2001年12月31日，應收東北電及其他關聯公司款項總額已增加至人民幣237,597,000元。如本財務報表附註18詳示，於2000年12月22日，東北電與貴公司達成債務償還協議，其中包括以資產置換方式抵償部分其所欠款項。直至本報表批准日，該項資產抵債手續仍在辦理中，經考慮應收貿易往來之帳齡及即將進行的資產抵債所帶來之影響，董事們已對其認為不能收回之金額人民幣101,134,000元提撥壞帳準備。但由於本核數師並未能取得足夠的書面證明以評估提撥壞帳準備之基準，所以並未能確定已提撥壞帳準備人民幣101,134,000元是否適當及充分。本核數師亦未能採取其他滿意的審核程序以令本核數師確定該項撥備的時間性，適當性及充分性，而因此可能對貴集團截至2000年及2001年12月31日止年度的虧損及貴公司及貴集團於該日之淨資產產生重大影響。

BASIS OF OPINION (Continued)

4. The appropriateness and adequacy of provision for non-recovery of amounts due from a major shareholder and other related companies

As at 31 December 2000, the net assets of the Group included amounts receivable from the then holding company, NET and companies related to NET of Rmb217,341,000. As no provision for non-recovery had been made in the financial statements for the year ended 31 December 2000, we had qualified our auditors' report in the previous year. Details of our qualification were more fully explained in the 2000 annual report.

The total amounts receivable from NET and other related companies had increased to Rmb237,597,000 at 31 December 2001. As more fully explained in note 18 to the financial statements, on 22 December 2000, NET and the Company has reached a debt settlement agreement which stipulated that NET might partially settle the indebtedness by way of asset transfers. To date, the plan to partially settle the indebtedness by way of asset transfers is still in progress. Having considered the ageing of the trade debtors and the impact of these impending asset transfers, the directors have made a provision of Rmb101,134,000 for the amount that was considered to be irrecoverable. As we have not been provided with sufficient documentary evidence to assess the basis on which the provision for non-recovery was made, we are unable to satisfy ourselves whether or not the provision for non-recovery of Rmb101,134,000 is appropriate or adequate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the timing, appropriateness and adequacy of the provision made, which may have a consequential significant effect on the Group's loss for the years ended 31 December 2000 and 2001 and the net assets of the Company and the Group as at those dates.



意見之基礎 (續)

BASIS OF OPINION (Continued)

5. 對物業、廠房及設備確認減值損失的適當性及充分性

如本財務報表附註12詳示，董事們已對貴集團於2001年12月31日之物業、廠房及設備之減值損失情況進行檢查，並已於截至2001年12月31日止年度確認減值損失人民幣154,383,000元。但由於本核數師並未能取得足夠的書面證明以評估減值損失檢查之基準，所以並未能確定已確認減值損失人民幣154,383,000元是否適當及充分。本核數師亦未能採取其他滿意的審核程序以令本核數師確定該項對貴集團之物業、廠房及設備確認減值損失之適當性及充分性，而因此可能對貴集團於本年度的虧損及於2001年12月31日之淨資產產生重大影響。

5. The appropriateness and adequacy of impairment loss on property, plant and equipment

As stated in note 12 to the financial statements, an impairment review has been performed by the directors on the Group's property, plant and equipment as at 31 December 2001. As a result, an impairment loss of Rmb154,383,000 has been recognised for the year ended 31 December 2001. However, we have not been provided with sufficient information and explanations to assess the basis of the impairment review, we are therefore unable to satisfy ourselves whether or not the recognition of impairment loss of Rmb154,383,000 is appropriate or adequate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness or adequacy of the impairment loss recognised on the property, plant and equipment of the Group, which may have a consequential significant effect on the Group's loss for the year and its net assets as at 31 December 2001.

6. 對存貨作出減值的適當性

貴集團於截至2001年12月31日止年度內已確認存貨減值人民幣57,088,000元。但由於本核數師並未能取得足夠的書面證明及解釋以評估存貨減值之基準，所以並未能確定已確認存貨減值人民幣57,088,000元是否適當。本核數師亦未能採取其他滿意的審核程序以令本核數師確定該項對貴集團存貨減值之適當性，而因此可能對貴集團於本年度的虧損及於2001年12月31日之淨資產產生重大影響。

6. The appropriateness of write-down of inventories

A write-down of inventories of Rmb57,088,000 has been recognised for the year ended 31 December 2001. However, we have not been provided with sufficient information and explanations to assess the basis of the write-down, we are therefore unable to satisfy ourselves whether or not the recognition of the write-down of Rmb57,088,000 is appropriate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the write-down of inventories of the Group, which may have a consequential significant effect on the Group's loss for the year and its net assets as at 31 December 2001.



意見之基礎 (續)

7. 預付帳款及應付帳款之真確性及預付帳款之可收回性

於2001年12月31日貴集團之資產負債表“押金、其他應收款項及預付帳款”及“應付帳款”內分別包括了貴集團與購貨有關之預付帳款人民幣260,705,000元及預提費用人民幣211,446,000元。包括在“押金、其他應收款項及預付帳款”內之人民幣260,705,000元為支付予供應商之預付款而包括在“應付帳款”內之人民幣211,446,000元則為由於已收到貨物但未收到發票而估計應付供應商之金額。一些仍包括在“應付帳款”內之金額應該與相關的預付帳款互相抵銷。然而這項抵銷並無進行且有關之金額亦不能夠容易地被鑒定。因此，本核數師並未能確定“押金、其他應收款項及預付帳款”人民幣260,705,000元及“應付帳款”人民幣211,446,000元之真確性，再者，由於本核數師就“押金、其他應收款項及預付帳款”所能取得的資料受到限制，本核數師亦未能確定該“押金、其他應收款項及預付帳款”之可收回性。本核數師亦未能採取其他滿意的審核程序以令本核數師確定該項“押金、其他應收款項及預付帳款”及“應付帳款”之真確性“押金、其他應收款項及預付帳款”之可收回性，而因此可能對貴集團於本年度的虧損及於2001年12月31日之淨資產產生重大影響。

BASIS OF OPINION (Continued)

7. The fairness of the amounts of prepayments and trade creditors and the recoverability of prepayments

As at 31 December 2001, the Group's balance sheet items "Deposits, other debtors and prepayments," and "Trade creditors" included amounts of Rmb260,705,000 and Rmb211,446,000 respectively, which were related to purchases of goods. The amount of Rmb260,705,000 included in "Deposits, other debtors and prepayments" represented advance payments made to suppliers, whilst the amount of Rmb211,446,000 included in "Trade creditors" represented estimated amounts payable to suppliers for goods received but for which suppliers' invoices had not yet been received. Certain amounts included in "Trade creditors" should have been set off with their corresponding prepayments but the relevant amounts to be set off could not be readily identified and has not been done. As a result, we are unable to satisfy ourselves that the amounts of prepayments of Rmb260,705,000 and "Trade creditors" of Rmb211,446,000 are fairly stated. In particular, due to the limited amount of information provided to us in respect of these prepayments, we are unable to satisfy ourselves whether these prepayments are recoverable. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the fairness of the amounts of "Deposits, other debtors and prepayments" and "Trade creditors" and as to the recoverability of "Deposits, other debtors and prepayments", which may have a consequential significant effect on the Group's loss for the year and its net assets as at 31 December 2001.



意見之基礎 (續)

8. 未完的訴訟

如本財務報表附註33及34詳示，貴公司已就一些貸予關聯方的銀行貸款人民幣50,000,000元作為擔保人。由於該些關聯方未能於銀行貸款到期日償還債項，當銀行貸款人向該些關聯方追索債項時，貴公司作為擔保人已被列為第二被告人。年內，銀行貸款人已向該些關聯方及貴公司追索之總金額為本金人民幣46,400,000元及相關利息。於財務報表中並無就任何索償之任何損失提撥準備。由於本核數師並未能取得法律意見及其他足夠的書面證明以評估該些索償對財務報表可能帶來之影響，所以並未能確定有否需要為發生之損失提撥任何準備，任何有需要的撥備皆可能對貴公司及貴集團於本年度的虧損及於2001年12月31日之淨資產產生重大影響。

在作出意見時，本核數師亦已評估該等財務報表所載之資料在整體上是否足夠。本核數師相信我們之審核工作已為下列意見提供合理之基礎。

保留意見

本核數師認為，鑑於可提供予本核數師之證據受到以上之限制而可能出現的重大影響，我們無法對上述之財務報表是否足以真實兼公平地顯示貴公司與貴集團於2001年12月31日結算時之財務狀況，及貴集團截至該日止年度之虧損及現金流量發表意見。本核數師亦無法對上述之財務報表是否已按照香港公司條例之披露規定妥為編制發表意見。

摩斯倫會計師事務所

英國特許會計師

香港執業會計師

香港

2002年4月18日

BASIS OF OPINION (Continued)

8. Outstanding litigations

As explained in notes 33 and 34 to the financial statements, the Company acted as guarantor of bank loans totalling Rmb50,000,000 granted to certain related parties. Due to the inability of these related parties to repay the bank loans on the due dates, the Company, as guarantor of these bank loans, has been named as the co-defendant in the claims made by the lenders of the bank loans to these related parties. During the year, the aggregate amount being claimed by the lenders against the related parties and the Company comprised a principal of Rmb46,400,000 and the related interests. No provision for any loss in respect of any claims has been made in the financial statements. As no legal opinion or other sufficient documentary evidence has been provided to us for the assessment of the possible impact of these claims to the financial statements, we are unable to determine if any provision for loss arising is necessary. Any provision found to be necessary might have a consequential significant effect on the Company's and the Group's loss for the year and the net assets of the Company and the Group as at 31 December 2001.

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

DISCLAIMER OF OPINION

Because of the significance of the possible effects of the limitations in evidence available to us as mentioned in the above paragraphs, 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 31 December 2001 and of the loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland

Chartered Accountants

Certified Public Accountants

Hong Kong

18 April 2002