

**德勤 • 關黃陳方會計師行**

**Certified Public Accountants**  
26/F, Wing On Centre  
111 Connaught Road Central

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu****AUDITORS' REPORT TO THE MEMBERS OF  
LEAPTEK LIMITED**

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 26 to 59 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 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. However, the evidence available to us was limited as set out below.

**Basis of opinion** *(continued)*

1. As explained in note 2(b)(i) to the financial statements, the current directors have been unable to satisfy themselves that the following amounts included in the financial statements have been completely and accurately recorded by the Group:

- Turnover of HK\$10,080,000;
- Other revenue of HK\$574,000;
- Changes in inventories of finished goods and work in progress with nil amount;
- Raw materials and consumables used of HK\$9,645,000;
- Staff costs of HK\$9,658,000;
- Depreciation expenses of HK\$109,000;
- Unrealised loss on other investments of HK\$23,813,000;
- Loss on disposal of subsidiaries of HK\$1,224,000;
- Loss on disposal of other investments of HK\$2,175,000;
- Other operating expenses of HK\$2,986,000;
- Finance costs of HK\$196,000;
- Share of results of jointly controlled entities with nil amount;
- Taxation with nil amount;
- Minority interests with nil amount;
- Investments in jointly controlled entities with nil amount;
- Trade and other receivables of HK\$13,323,000;
- Trade and other payables of HK\$29,837,000;
- Amount due to a shareholder of HK\$5,691,000;
- Short-term loan of HK\$1,414,000; and
- Reserves with a net debit balance of HK\$40,245,000.

As a result, the current directors were unable to satisfy themselves as to the reliability of the related disclosure in the financial statements.

2. As explained by the current directors in note 2(b)(ii) to the financial statements, the current directors have been unable to satisfy themselves that the following amounts included in the financial statements have been completely and accurately recorded by the Company:

- Interests in subsidiaries of HK\$6,756,000;
- Other receivables of HK\$125,000;
- Other payables of HK\$3,619,000; and
- Reserves with a net debit balance of HK\$40,170,000.

As a result, the current directors were unable to satisfy themselves as to the reliability of the related disclosure in the financial statements.

**Basis of opinion** *(continued)*

3. As explained by the current directors in note 2(b)(iii) to the financial statements, the current directors have been unable to identify items of property, plant and equipment at the Group's offices in the People's Republic of China and Hong Kong, previously included in the books of account with a net book value of HK\$416,000. Accordingly, the current directors were unable to satisfy themselves as to the appropriateness of the associated write-off in the same amount reflected in the consolidated income statement for the year ended 31st March, 2002.
4. As explained by the current directors in note 2(b)(iv) to the financial statements, included in other investments was an amount of HK\$16,346,000 in respect of the investments in unlisted shares as at 31st March, 2002. The current directors were unable to obtain sufficient evidence to satisfy themselves regarding the fair values of these shares at 31st March, 2002 and the appropriateness of the impairment loss on investments in unlisted shares reflected in note 16 to the financial statements. Also, the current directors were unable to obtain sufficient evidence to support the existence and proper recording of these unlisted shares.
5. As explained by the current directors in note 2(b)(v) to the financial statements, included in bank balances and cash of the Group was an amount of HK\$19,903,000 in respect of which the current directors were unable to obtain any bank statements. Accordingly, the current directors were unable to satisfy themselves that the bank balances and cash of HK\$19,903,000 was fairly stated in the consolidated balance sheet of the Group as at 31st March, 2002.
6. As explained by the current directors in note 2(b)(vi) to the financial statements, the current directors are unable to represent as to the completeness of recording of transactions entered into by the Group for the period from 1st April, 2001 to 21st June, 2002 and of the completeness of disclosure of claims, commitments and contingent liabilities in the financial statements. The current directors are also unable to represent as to the completeness of identification and disclosure of related party transactions and balances.
7. We have been unable to obtain sufficient direct confirmations or other documentary evidence from the shareholder in respect of amount due to him in the amount of HK\$5,691,000 included in the consolidated balance sheet of the Group as at 31st March, 2002. Accordingly, we were unable to satisfy ourselves as to whether these amounts were fairly stated in the financial statements.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in paragraphs 1 to 7 above. Any adjustments to the above figures would affect the net assets of the Group and the Company as at 31st March, 2002 and the loss and cash flows 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 disclosure made in note 2(a) to the financial statements which explains the current financial difficulties of the Group. The Company's outstanding preference shares should have been redeemed at par in October, 2001.

Against this background, the Company is currently in negotiation with the preference shareholders regarding refinancing arrangements ("Refinancing Arrangements"). At the same time, the Group is actively seeking potential investors so as to obtain an injection of new equity finance into the Group. On the basis that the Refinancing Arrangements can be completed successfully and the additional equity financing for the Group can be obtained, the current directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

The financial statements have been prepared on the going concern basis, the validity of which depends upon future funding being available. The financial statements do not include any adjustments that would result from the failure to obtain such funding.

We consider that appropriate disclosures have been made. However, in view of the extent of the uncertainty relating to the completion of the Refinancing Arrangements and to the obtaining of additional new equity finance, we disclaim our opinion in respect of the fundamental uncertainty relating to the going concern basis.

### **Disclaimer of opinion**

Because of the significance of the possible effect of the limitations in evidence available to us referred to in the basis of opinion section of this report and in view of the extent of the uncertainty relating to 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, 2002 or 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.

In respect alone of the limitations on our work as set out in the basis of opinion section of this report:

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

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 27th September, 2002