



鄭國衛會計師事務所
Hodgson Impey Cheng

**TO THE MEMBERS OF
FUJIAN GROUP LIMITED**

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 19 to 75 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the directors to prepare 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 Group's and the Company's circumstances, consistently applied and adequately disclosed.



AUDITORS' REPORT

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 loss on disposal of the Group's interest in a jointly controlled entity of HK\$58,524,946 as shown in the consolidated income statement was substantially derived from balances in the financial statements for the year ended 31 March 2001 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 loss was fairly stated as there were no satisfactory audit procedures that we could adopt to verify the relevant balances in the financial statements for the year ended 31 March 2001.

Any adjustments to these balances would have a consequential significant effect on the Group's loss for the year ended 31 March 2002.

- (2) The Group's interests in jointly controlled entities as stated in the consolidated balance sheet as at 31 March 2002 and the Group's 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 auditing procedures that we consider necessary to satisfy ourselves as to whether:

- i. the Group's share of the losses of the jointly controlled entities of HK\$6,715,082 for the year ended 31 March 2002 was fairly stated;
- ii. the Group's and the Company's loan to a jointly controlled entity of HK\$7,704,170 as at 31 March 2002 was fairly stated;
- iii. the Group's and the Company's obligations to jointly controlled entities of HK\$16,740,933 as at 31 March 2002 were fairly stated; and
- iv. the information as stated in note 17(iv) to the financial statements was 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 31 March 2002 and the net liabilities of the Group and of the Company as at that date.



- (3) Included in current assets as shown in the consolidated balance sheet as at 31 March 2002 is an amount of HK\$15,294,388 due from a related company, which was formerly a jointly controlled entity of the Group. The amount due is unsecured, interest-free and has no fixed terms of repayment. As more fully explained in note 19 to the financial statements, whilst the Directors expect that the amount due to be fully recoverable within a reasonable timeframe, the Directors are currently unable to determine with reasonable certainty the timing of settlement of the amount due. Accordingly the Directors are currently unable to determine whether a provision, if any, is required against the amount due from the related company. However, the evidence available to us was limited as there was no reliable financial information to satisfy ourselves that the amount due from the related company would be fully recoverable and that no provision was required. There were no practical alternative audit procedures that we could adopt to obtain sufficient evidence regarding the recoverability of the amount due from the related company. Any adjustment to the figure may have a consequential significant effect on the Group's loss for the year ended 31 March 2002 and the net liabilities of the Group as at that date.

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 uncertainties relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2(a) to the financial statements which explains that the adoption of the going concern basis in the preparation of the financial statements is appropriate, provided that (i) an agreement could be reached with the bankers, substantial shareholders, other creditors and the potential investors for further restructuring the Group's borrowings; and (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 financial statements do not include any adjustments that would result from the failure of implementing these measures. If the going concern basis were not to be appropriate, adjustments would have to be made in the financial statements to reclassify non-current assets as current assets, to restate the Group's assets to their recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a consequential significant effect on the net liabilities of the Group as at 31 March 2002 and the loss and cash flows for the year then ended. 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.



AUDITORS' REPORT

QUALIFIED OPINION: DISCLAIMER ON VIEW GIVEN BY THE FINANCIAL STATEMENTS

Because of the significance of the possible effects of the limitation in evidence available to us on matters specified in the "Basis of opinion" section of this report and the fundamental uncertainties relating to the going concern basis referred to above, 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 Group and of the Company as at 31 March 2002 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 Hong Kong Companies Ordinance.

In respect alone of the limitations on our work relating 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 account had been kept.

COMPARATIVES

The comparatives presented in the consolidated financial statements were subject to a number of audit scope limitations and fundamental uncertainties which were detailed in the auditors' report dated 22 August 2001 issued by another certified public accountants in respect of the financial year ended 31 March 2001 and further explained in note 37 of the financial statements. As a result, there are consequential significant effects of the comparatives as shown in the consolidated financial statements.

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

Hong Kong, 27 September 2002