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CERTIFIED PUBLIC ACCOUNTANTS

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11 December 2002

The Board of Directors

**Innovative International (Holdings) Limited**

(Receivers and Managers Appointed)

*(incorporated in Bermuda with limited liability)*

c/o 14th Floor, Hong Kong Club Building

3A Chater Road

Central

Hong Kong

Dear Sirs,

## Introduction

We have been instructed by the company to review the interim financial report as set out on pages 1 to 13.

## Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with SSAP 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

## Review work performed

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants ("HKSA"), except that the scope of our review was limited as explained below.



A review consists principally of making enquiries of the management and applying analytical procedures to the interim financial report 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 assets, liabilities and 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 interim financial report.

The scope of our review was limited in respect of the following:

- (i) since we did not sight the respective subsidiaries' share certificates and/or share registers, we were unable to verify the company's shareholdings in various subsidiaries at the balance sheet date and at the date of this report; and
- (ii) whether it is appropriate to consolidate the company's 51% indirect shareholding in Tianjin Guangying Automotive Mirror Company Limited in the condensed consolidated interim financial report for the period ended 30 September 2002.

Additionally, with regard to the limitation on scope qualifications numbers (iv), (v), (vii) and (viii) in respect of our audit report dated 20 September 2002 on the financial statements for the year ended 31 March 2002, we have relied on management assurances and we are not aware of any material modifications that should be made to the interim financial report for the six months period ended 30 September 2002 in respect of these balances and disclosures.

## **Fundamental uncertainties relating to the basis of preparation of interim financial statements**

The condensed consolidated interim financial statements show a deficiency of shareholders funds of HK\$805,452,000 at 30 September 2002. The condensed consolidated interim financial report has been prepared on a going concern basis as modified by the write-down of assets to their estimated recoverable amounts. In the opinion of the directors and the Receivers, the group and the company may not have been a going concern at the balance sheet date.



However, the company is currently undergoing restructuring which is expected to be completed by end of December 2002. In November 2002, the company's resumption proposal has been conditionally approved by the relevant authorities. On 11 November 2002 and 9 December 2002, the Company's creditors and shareholders respectively, approved the restructuring. In the event that the restructuring proposal is not successfully implemented, adjustments might have to be made to further reduce the value of assets to revised recoverable amounts, to provide for any further liabilities which might arise and to reclassify property, plant and equipment and other long term assets as current assets.

We consider that appropriate disclosures have been made in the condensed consolidated interim financial statements concerning this situation and our opinion is not qualified in this respect.

### **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 should be made to the interim financial report for the six months ended 30 September 2002.

The interim financial report does not contain a statement of cash flows. This is not in accordance with the requirements of SSAP 15 "Cash flow statements".

### **Moore Stephens**

*Certified Public Accountants*

Hong Kong