



盧國雄會計師事務所

## **TO THE SHAREHOLDERS OF CHINA DEVELOPMENT CORPORATION LIMITED**

*(incorporated in Hong Kong with limited liability)*

We have audited the financial statements on pages 17 to 55 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

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

We planned and performed 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.

### **Fundamental uncertainty relating to the going concern basis**

In forming our opinion, we have considered the adequacy of disclosures made in the financial statements concerning the Company and the Group continue as a going concern. The Company and the Group incurred a net loss of HK\$217,494,000 and HK\$115,407,000 respectively for the year ended 30 September 2002; and as at 30 September 2002 the Company's total liabilities exceeded its total assets by HK\$85,648,000 while the Group's total liabilities exceeded its total assets by HK\$102,023,000. The ability of the Company and the Group to continue as a going concern will depend upon future funding being available. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

# REPORT OF THE AUDITORS *(Continued)*

## **Limitation of audit scope relating to discontinuing operations**

The audited financial statements of the disposed group of subsidiaries of the Company incorporated and operating principally in Singapore (“the Disposed group”) for the period up to the date of disposal have not been made available to either the Company or ourselves. Consequently, the Company has consolidated the Disposed group based upon the unaudited management accounts as the Company has been able to obtain, but we have not been provided with adequate audit evidence to satisfy ourselves as to the nature, completeness, appropriateness, classification and disclosure in respect of the transactions undertaken by the Disposed group for the period from 1 October 2001 up to the date when the Company ceased to exercise control over its entire interests in the Disposed group (“the Said Period”), as included in the consolidated financial statements.

For the same reasons, we have been unable to satisfy ourselves that certain disclosures which have incorporated amounts in relation to the Disposed group as included in the notes to financial statements are fairly stated.

Any adjustments that might have been found to be necessary in respect of the matters set out above would have a consequential impact on the Group’s net loss and cash flows for the year ended 30 September 2002, and on the classification of such items and their related disclosures in the financial statements.

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.

## **Qualified opinion arising from limitation of audit scope**

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the operating results and cash flows of the Disposed group, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2002 and of the loss and cash flow of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

In respect alone of the limitation on our work relating to the operating results and cash flows of the Disposed group:

- 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.

**John K.H. Lo & Co.**

*Certified Public Accountants*

Hong Kong

13 February 2003