

AUDITORS' REPORT

**TO THE MEMBERS OF
GORIENT (HOLDINGS) LIMITED
(FORMERLY KNOWN AS INNOVATIVE INTERNATIONAL (HOLDINGS) LIMITED)**
(incorporated in Bermuda with limited liability)

MOORE STEPHENS
CERTIFIED PUBLIC ACCOUNTANTS

905 Silvercord, Tower 2
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Tel : (852) 2375 3180
Fax : (852) 2375 3828
E-mail : ms@ms.com.hk
www.ms.com.hk

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We have audited the financial statements on pages 15 to 41 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 the financial 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 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.

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.

1. Our opinion on the financial statements of the Group for the year ended 31 March 2002 was disclaimed in view of the significant limitations on the scope of our audit resulting from, inter alia, the ex-Chairman of the Company being not contactable and uncertainty as to the completeness of the Group's books of account. Consequently, in view of the impracticability of performing additional procedures in respect thereof during the audit for the year ended 31 March 2003, we have been unable to ascertain whether the opening balances of trade and other receivables, trade and other payables and accumulated losses as at 31 March 2002 are fairly stated. Any adjustments found to be necessary to any of the above balances at 31 March 2002 would have a consequential effect on the profit and cash flows of the Group for the year ended 31 March 2003.

AUDITORS' REPORT (Continued)**BASIS OF OPINION (Continued)**

2. As more fully explained in Note 12 to the financial statements, the directors have yet to confirm with the Hong Kong Inland Revenue Department the tax status of the Company and its subsidiaries subsequent to the completion of the restructuring. In particular, the directors have not been able to demonstrate with certainty whether the waiver of certain loans and accounts payable will give rise to any tax liability to the Company and its subsidiaries. Any adjustment to the provision for taxation would increase the net liabilities of the Group as at 31 March 2003 and decrease the profit 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

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the financial position of the Group since the Group's total liabilities exceeded its total assets by HK\$852,000. The financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ultimate holding company continuing to provide financial support to the Group and/or the Group achieving future profitable operations. The financial statements do not include any adjustments that would result from a failure to maintain that support. Details of the circumstances relating to this fundamental uncertainty are described in Note 3 (c) to the financial statements. 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.

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 as set out in the Basis of Opinion section of our report above, 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 31 March 2003 and of the profit and cash flows of the Group for the year then ended.

In respect alone of the limitation 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 account had been kept.

Moore Stephens

Certified Public Accountants

Hong Kong

18 July 2003