



# AUDITORS' REPORT

## RSM! Nelson Wheeler

羅申美會計師行

Certified Public Accountants

To the shareholders of

### **A-MAX HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 17 to 49 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group and the Company, 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. The previous auditors are unable to form an opinion on the financial statements of the Group and the Company for the year ended 31 March 2002 in view of the pervasive nature of the limitations on the scope of the audit resulting from substantial missing supporting documentation and relevant accounting records and because the Directors were unable to satisfy themselves as to whether the following amounts included in the Group's and the Company's balance sheets as at 31 March 2002 were free from material misstatement:
  - the Group's fixed assets with net book value of approximately HK\$96,409,000;
  - the Group's trade and other receivables of approximately HK\$296,000;



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- the Group's bank and cash balances of approximately HK\$1,466,000;
- the Group's and the Company's trade and other payables of approximately HK\$250,515,000 and HK\$226,307,000 respectively; and
- the Group's and the Company's net amounts due to subsidiaries not consolidated of approximately HK\$148,374,000 and HK\$884,000 respectively.

There are no alternative audit procedures that we could carry out to enable us to express an opinion on the previous year's financial statements. Accordingly, we are unable to satisfy ourselves as to whether the state of the affairs of the Group and the Company as at 31 March 2002, and the results and cash flows of the Group for the year then ended which represented the comparative figures of the current year's financial statements are fairly stated.

2. The Directors have been unable to satisfy themselves as to whether the following amounts included in the consolidated income statement for the year ended 31 March 2003 are free from material misstatement:
  - reduction in provision for net amounts due to subsidiaries not consolidated of approximately HK\$148,366,000;
  - reduction in provision for indemnified liabilities of subsidiaries not consolidated of approximately HK\$180,734,000;
  - reduction in provision for other payables of approximately HK\$29,781,000;
  - write off of trade and other receivables of approximately HK\$296,000;
  - write off of bank and cash balances of approximately HK\$1,458,000;
  - write off of fixed assets of approximately HK\$3,831,000; and
  - depreciation of approximately HK\$14,798,000 on the cost of fixed assets brought forward from previous year.
3. The Directors are unable to satisfy themselves as to the completeness of recording of transactions entered into by the Group and of the completeness of disclosure of commitments and contingent liabilities for the period from 1 April 2002 to 21 August 2002 in the financial statements. Furthermore, the Directors are unable to determine the completeness of related party transactions for the period from 1 April 2002 to 21 August 2002.
4. As explained in note 16(b) to the financial statements, certain subsidiaries were disposed of during the Group Restructuring. The Directors are unable to obtain sufficient information to include the results of these subsidiaries up to the date of their disposals.



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5. Included in leasehold land and buildings as stated in note 15 to the financial statements is land use rights amounted to approximately HK\$4,853,000. We have not been able to obtain independent confirmation nor the Directors were able to provide original documents of the land use rights of the properties which are located in the People's Republic of China.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in paragraphs 1 to 5 above. Any adjustments to the above figures may have consequential significant effects on the net assets of the Group and the Company as at 31 March 2003 and the profit 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**

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation made by the Directors. The financial statements have been prepared on a going concern basis, the validity of which depends upon the ability of the Group to attain profitable and positive cash flows operations to meet its future working capital and financial requirements. Details of the circumstances relating to this fundamental uncertainty are described in note 5 to the financial statements. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

## **Qualified opinion: Disclaimer on view given by financial statements**

Because of the significance of the possible effects of the limitations in evidence available to us referred to in the basis of opinion section of this report, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the affairs of the Group and the Company as at 31 March 2003 or of the results 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.

**RSM Nelson Wheeler**

*Certified Public Accountants*

Hong Kong, 30 July 2003