

## Report of the Auditors



### **Horwath Hong Kong CPA Limited**

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### **REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF MEXAN LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 26 to 76 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 financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public 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 circumstances of the Company, 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. 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.

## Report of the Auditors

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to the fact that our report dated 31 December 2004 on the financial statements of the Group for the year ended 31 March 2004, which form the basis for the comparative amounts presented in the current year's financial statements, was qualified on account of a limitation of audit scope. Limitation arose as we were unable to ascertain that the share of results of associated companies up to 20 June 2003 were fairly stated due to the fact that the financial information and records of the associated companies were no longer in possession by the Group and we could not gain access to the said records. Any adjustment to the share of the said results would have a consequential effect on the loss for the year ended 31 March 2004 and the amount of special dividend by way of distribution in specie of shares in a former subsidiary for the year ended 31 March 2004. Accordingly, the comparative amounts, as detailed above, shown in these financial statements may not be reliable for purpose of comparison with the corresponding amounts presented for the current year.

#### **Horwath Hong Kong CPA Limited**

Certified Public Accountants

Hong Kong, 20 July 2005

#### **Chan Kam Wing, Clement**

Practising Certificate number P02038