



## Report of the International Auditors

TO THE SHAREHOLDERS OF

**Shenyang Public Utility Holdings Company Limited**

*(Incorporated in the People's Republic of China with limited liability)*

We have audited the financial statements on pages 42 to 92 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, 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 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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, 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 because we have not obtained all the information we considered necessary in relation to certain other receivable balances:

- (a) Up to the date of this report, we have not yet obtained the audit confirmations or related agreements of certain receivable balances amounted to RMB45,515,000. There were no other alternative audit procedures that we could adopt to verify the nature, existence and accuracy of these receivable amounts. Accordingly, we could not ascertain these receivable amounts have been properly disclosed in the financial statements and whether the Group had any unrecorded financial obligations in respect thereof.
- (b) As disclosed in Note 27 to the financial statements, up to the date of this report, there was unsettled amounts of RMB197,189,000 in respect of these debtors. Although the Group had signed repayment agreements with certain debtors amounted to approximately RMB51,800,000. However, we considered that there were uncertainties in the fulfillment of these repayment agreements by these debtors. In the absence of sufficient information and alternative audit procedure that we can perform, we were unable to form an opinion in respect of the recoverability of the unsettled amounts of these debtors of approximately RMB197,189,000.



Any adjustment to the above figures may have a consequential significant effect on the loss for the year and shareholders' equity as at 31st December 2004.

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 the following opinion.

## **FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS OF THE FINANCIAL STATEMENTS**

In forming our opinion, we considered the adequacy of the disclosures made in the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements. As set out in note 2(b) to the financial statements, the financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of certain proposed financial plans and the continual financial supports of the Group's bankers. The financial statements do not include any adjustments that would result from the failure of the Group to operate as a going concern. Had the going concern basis not been used, adjustments would have to be made to reduce the value of the Group's assets to their recoverable amounts, to provide for any liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities respectively. We consider that appropriate disclosures relating to this fundamental uncertainty have been made and our opinion is not qualified in this respect.

## **QUALIFIED OPINION – LIMITATION OF AUDIT SCOPE**

Except for the limitation in evidence available to us in respect of the matters as mentioned in the section of "Basis of Opinion", 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 31st December 2004 or of its loss and cash flows for the year then ended and 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 section of "Basis of Opinion" of this report:

- we have not obtained all the information and explanations that we consider necessary for the purpose of our audit; and
- we were unable to determine whether proper books of accounts have been kept.

**HO AND HO & COMPANY**  
*Certified Public Accountants*

Hong Kong  
29th July 2005