



ARTHUR ANDERSEN

Arthur Andersen & Co

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Hong Kong

TO THE SHAREHOLDERS OF GZITIC HUALING HOLDINGS LIMITED:

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 28 to 54 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 circumstances of the Company and the Group, 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.

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 31 December, 2000 and of its profits and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

In our auditors' report dated 10 April, 2000, we had issued a disclaimer of our opinion on the financial statements of the Company and the Group as at and for the year ended 31 December, 1999 on the basis of the fundamental uncertainty relating to the Company and the Group's ability to continue as a going concern resulting from (i) significant accumulated losses and net current liabilities position as at 31 December, 1999; and (ii) uncertainty as to the viability of the Company's principal shareholder as a going concern and its consequential effect on the Company. As explained in Note 1 to the financial statements, as at 31 December, 2000, the net deficiency in working capital no longer raises significant uncertainty about the Company and the Group's ability to continue as a going concern as the operating results for the year ended 31 December, 2000 remained at a profitable level for the second year. Furthermore, the uncertainty regarding Guangzhou International Trust and Investment Corporation ("GZITIC")'s viability to remain as a going concern no longer exists as GZITIC has entered into a debt restructuring agreement with its creditors on 1 December, 2000 for a restructuring of its debt repayment obligations.

ARTHUR ANDERSEN & CO

Certified Public Accountants

Hong Kong,
29 March, 2001