

Auditors' Report

德勤·關黃陳方會計師行

Certified Public Accountants
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**Deloitte
Touche
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TO THE SHAREHOLDERS OF WAH TAK FUNG HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 21 to 60 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 the 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.



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FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements which explains that events of default have arisen under certain bank loans and credit facility agreements entered into by the Group. As a result, the relevant bank borrowings have become repayable on demand and have been reclassified as current liabilities. Accordingly, the Group is currently dependent upon the continued support of its bankers.

Against this background the directors are taking active steps to refinance the Group. As explained in note 38 to the financial statements, since the year end the Group raised HK\$79,000,000 by way of placing of shares in the Company. Also, the directors are currently in discussion with the Group's bankers for the rescheduling of the Group's borrowings. At the same time, the directors are seeking additional equity funds.

Provided that the Group's bankers continue to support the Group until such time as rescheduling arrangements can be agreed and put in place, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The financial statements have been prepared on a going concern basis, the validity of which depends upon rescheduling arrangements and future funding being available. The financial statements do not include any adjustments that may result from the failure to obtain such funding.

We consider that the appropriate disclosures have been made in respect of the above fundamental uncertainty. However, in view of the extent of the uncertainty relating to the Group's rescheduling arrangements, we disclaim our opinion in respect of the fundamental uncertainty described in above.

DISCLAIMER OF OPINION

Because of the significance of the fundamental uncertainty relating to the going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and the Group at March 31, 2001 or of the loss 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.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, July 26, 2001