

# REPORT OF THE AUDITORS



**To the members**

**KG NextVision Company Limited**

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 22 to 73 which have been prepared in accordance with accounting principles generally accepted in Hong Kong, other than as set out below.

## **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 an 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 Company's and the Group's circumstances, 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.

However, the evidence available to us was limited because, as further detailed in the note 1 to the financial statements, the books and records of certain subsidiaries (the "Disposed Entities"), which were disposed of during the year, have not been retained by the Company. The consolidated profit and loss account of the Group has consolidated the profit and loss accounts of the Disposed Entities from 1 April 2001 up to 30 September 2001 (the "Period") based on available unaudited management accounts as of that date, rather than the respective dates of disposal as required by Statement of Standard Accounting Practice No. 32 "Consolidated financial statements and accounting for investments in subsidiaries" ("SSAP 32"). We were unable to obtain sufficient information and there were no practical alternative audit procedures that we could perform to satisfy ourselves that the profit and loss accounts of the Disposed Entities for the Period so consolidated are fairly

## REPORT OF THE AUDITORS (Continued)

stated. Any adjustment to the profit and loss accounts of the Disposed Entities could affect any or all of the amounts reported in the consolidated profit and loss account, with a corresponding offsetting effect to the gain on disposal of discontinued operations but would not affect the net loss from the ordinary activities attributable to shareholders of the Group for the year ended 31 March 2002. Similarly, we have been unable to satisfy ourselves that other amounts and the relevant disclosures reflected in the consolidated statements of recognised gains and losses, the consolidated cash flow statement and segment results, turnover, other revenue and gains, and finance costs disclosed under notes 5, 6 and 9 to the financial statements, respectively, are fairly stated on account of the same lack of information and therefore our inability to audit the Disposed Entities.

As more fully explained in note 1 to the financial statements, the balances reported in notes 7, 11, 12 and 15 to the financial statements for the year ended 31 March 2002 have not consolidated the relevant amounts of the Disposed Entities as required by SSAP 32 and the disclosure requirements of the Hong Kong Companies Ordinance.

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.

### **Qualified opinion arising from limitation of audit scope and disagreement about accounting treatments and disclosures**

Except for (a) any adjustment that might have been found to be necessary had we been able to obtain sufficient evidence regarding the financial information of the Disposed Entities for the purposes of the preparation of the consolidated profit and loss account, the consolidated statement of recognised gains and losses, and the consolidated cash flow statement of the Group and the relevant disclosures thereof; and (b) the failure to consolidate the results of the Disposed Entities up to the respective dates of disposal and to make proper disclosures in notes 7, 11, 12 and 15 to the financial statements as detailed in the preceding paragraph, 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 2002 and of the loss 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.

In respect alone of the limitation on our work relating to the Disposed Entities:

- 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 account had been kept.

**Ernst & Young**

*Certified Public Accountant*

Hong Kong, 27 June 2002