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Deloitte
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TO THE SHAREHOLDERS OF
CONTINENTAL MARINER INVESTMENT COMPANY LIMITED
新海康航業投資有限公司
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 24 to 85 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 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.

QUALIFIED OPINION ARISING FROM DISAGREEMENT ABOUT ACCOUNTING TREATMENT

As disclosed in note 9 to the financial statements, during the year, the Group disposed of its entire 40.37% equity interest in a listed associated company, Poly Investments Holdings Limited ("Poly"), and recognised a loss on disposal of approximately HK$43.2 million after taking into account attributable goodwill which was previously dealt with in reserves when Poly was acquired.

At the time of acquisition of Poly in 1993, Poly held a 45% interest in Best Fulfil Inc. ("Best Fulfil"). Accordingly, the consideration paid by the Group (and consequentially the goodwill arising) therefrom was allocated as specified in the sale and purchase agreement between that paid in respect of the garment manufacturing and trading business of Best Fulfil and that paid in respect of the other businesses of Poly. However, on disposal of Best Fulfil and of part of the Group's interest in Poly during each of the two years ended 31st March, 1998, the aforesaid goodwill was retrospectively reallocated by the directors entirely to Poly. In the absence of any persuasive evidence or explanations as to why the original allocation of goodwill between Poly and Best Fulfil was fundamentally incorrect, in our opinion there was no supportable basis for any such retrospective reallocation. Had the allocation of goodwill made at the time of acquisition not been changed, the gain arising on the disposal of Poly during the year would have been approximately HK$4.0 million after taking into account attributable goodwill determined on the basis of the original allocation. Accordingly, the loss for the year would have been decreased by approximately HK$47.2 million.

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, 2002. Except for the effect of accounting for attributable goodwill on the disposal of the Group's entire interest in Poly in the manner described above, in our opinion the financial statements give a true and fair view of the loss and cash flows of the Group for the year ended 31st December, 2002 and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu
Hong Kong, 25th April, 2003