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Auditors' Report 核數師報告

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF HUALING HOLDINGS LIMITED

(Formerly known as GZITIC Hualing Holdings Limited)
(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 30 to 85 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts 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 accounts and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, 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 Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

致華凌集團有限公司全體股東

(前稱國信華凌集團有限公司)
(於香港註冊成立之有限公司)

本核數師已完成審核第30至第85頁之賬目，該等賬目乃按照香港普遍採納之會計原則編製。

董事及核數師各自之責任

香港《公司條例》規定董事須編製真實兼公平之賬目。在編製該等真實兼公平之賬目時，董事必須採用適當之會計政策，並且貫徹應用該等會計政策。

本核數師之責任是根據審核之結果，對該等賬目出具獨立意見，並按照香港《公司條例》第141條僅向整體股東報告，除此之外本報告另無其他目的。本核數師不會就本報告的內容向任何其他人士負上或承擔任何責任。

意見之基礎

本核數師已按照香港會計師公會所頒佈之核數準則進行審核工作。審核範圍包括以抽查方式查核與賬目所載數額及披露事項有關之憑證，亦包括評審董事於編製賬目時所作之重大估計和判斷，所採用之會計政策是否適合 貴公司與 貴集團之具體情況，及有否貫徹應用並足夠披露該等會計政策。

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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 accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 to the accounts concerning the adoption of the going concern basis for the preparation of the accounts. As detailed in Note 1 to the accounts, the Group incurred a consolidated net loss attributable to the shareholders of HK\$76,976,000 for the year ended 31st December 2003 and had net current liabilities of HK\$337,251,000 as of 31st December 2003. The Group largely finances its day-to-day working capital requirements using short-term bank loans. As disclosed in Note 21 to the accounts, certain bank loans are due for repayment in 2004. The Group is currently negotiating with its bankers to roll over these loans and/or to extend their repayment terms and for additional financing to meet its estimated needs. Bank loans of approximately HK\$196,000,000 outstanding as at 31st December 2003 have subsequently been rolled over for a further year and no loan facilities have been withdrawn by the banks since that date. At the same time, the Group is taking steps to improve the profitability and cash flows of its operations.

The accounts have been prepared on a going concern basis, the validity of which depends upon the success of the measures to improve profitability and cash flows, the successful renewal and/or extension of the short-term bank loans or alternatively the availability of financing from other sources, and the availability of additional financing. The accounts do not include any adjustments that would result should the Group fail to continue to operate as a going concern. Details of the circumstances relating to this fundamental uncertainty are described in Note 1 to the accounts. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the accounts and our opinion is not qualified in this respect.

本核數師在策劃和進行審核工作時，均以取得所有本核數師認為必需之資料及解釋為目標，以便獲得充分憑證，就該等賬目是否存有重大錯誤陳述，作出合理之確定。在作出意見時，本核數師亦已評估該等賬目所載之資料在整體上是否足夠。本核數師相信我們之審核工作已為下列意見提供合理之基礎。

基本不明朗因素

為達致本核數師之意見，本核數師已考慮編製 貴集團賬目時就所採用持續經營基準而於賬目附註一所作披露是否足夠。如賬目附註一所述， 貴集團截至二零零三年十二月三十一日止年度之股東應佔虧損為港幣76,976,000元而當日之淨流動負債額約為港幣337,251,000元。 貴集團主要運用短期貸款作為日常營運資金之來源。如賬目附註二十一所述， 貴集團之若干短期貸款將於二零零四年到期。 貴集團正在與銀行方面溝通以續簽或延長貸款期限及增加融資以滿足預計需要。截至二零零三年十二月三十一日到期之約港幣196,000,000元銀行貸款已續簽了一年，而且，無任何貸款額度被銀行收回。同時， 貴集團正採取措施提高其經營之收益性及現金流轉。

此賬目乃根據持續經營基準編製，其合法性視乎能否成功提高收益性及現金流轉，續借或延長短期貸款或實施其他財務方案及另外之籌資渠道。此賬目並無包括任何當 貴集團未能持續經營時所應作出之調整。有關該基本不明朗因素狀況之詳情於賬目附註一闡述。本核數師認為基本不明朗因素已於賬目內容充分考慮及披露，於此本核數師並無保留意見。



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Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2003 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22nd April 2004

意見

本核數師認為，上述之賬目足以真實兼公平地顯示貴公司與貴集團於二零零三年十二月三十一日結算時之財務狀況，及貴集團截至該日止年度之虧損及現金流量，並按照香港《公司條例》妥為編製。

羅兵咸永道會計師事務所
香港執業會計師

香港，二零零四年四月二十二日