

Report of the Auditors



To the members

Kin Don Holdings Limited

(Incorporated in the Cayman Islands 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 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 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 as follows:

SCOPE LIMITATIONS ARISING FROM THE PRIOR YEAR'S AUDIT SCOPE LIMITATIONS AFFECTING OPENING BALANCES

Our opinion on the financial statements of the Group and the Company for the year ended 30 November 2000 was disclaimed for reasons which included the significance of the possible effects of several limitations on the scope of our audit which are further detailed in our report dated 31 May 2001.

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Basis of opinion (continued)

SCOPE LIMITATIONS ARISING FROM THE PRIOR YEAR'S AUDIT SCOPE LIMITATIONS AFFECTING OPENING BALANCES (continued)

In summary, those scope limitations, with an ongoing impact on the current year, include:

- (i) incomplete books and records of the Group;
- (ii) matters which prevented us from satisfying ourselves concerning inventories repossessed by the Group during May 2000, aggregating HK\$47,369,000, and accounts receivable of a similar account; and
- (iii) matters which prevented us from satisfying ourselves concerning the accounting and provisions of the Group's investments in City Power Services Limited (a wholly-owned subsidiary of the Company) and Li Yang Broadcasting Advertising (HK) Limited ("Li Yang") (a jointly-controlled entity of the Company) amounting to HK\$50,000,000, a loan of HK\$25,750,000 advanced to Li Yang by the Group and the Group's share of the post-acquisition loss of Li Yang for the period ended 30 November 2000 in the amount of HK\$44,690,000.

Accordingly, we were then unable to form an opinion as to whether the 2000 financial statements gave a true and fair view of the state of affairs of the Group and the Company as at 30 November 2000 and of the loss and cash flows of the Group for the year then ended. Any adjustments in respect of these matters found to be necessary to the opening net liabilities of the Group and the Company would have a consequential effect on the results of the Group and the Company for the current year ended 30 November 2001.

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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Qualified opinion arising from limitations of audit scope

In our opinion the financial statements give a true and fair view, in all material respect, of the state of affair of the Group and the Company at 30 November 2001, and except for any adjustments that might have been found to be necessary in respect of the foregoing scope limitations, in our opinion the financial statements give a true and fair view, in all material respects, 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 limitations on our work as set out in the basis of opinion section of this report, we have not obtained all the information and explanations that we consider necessary for the purpose of our audit.

Without further qualifying our opinion, we draw attention to the fact that because our opinion on the financial statements of the Group and the Company for the year ended 30 November 2000, dated 31 May 2001, was disclaimed for the scope limitation reasons summarised in the basis of opinion section above, the comparative amounts shown in these financial statements may not be comparable with the amounts for the current year.

Ernst & Young

Certified Public Accountants

Hong Kong

7 January 2002