

## REPORT OF THE AUDITORS

### TO THE SHAREHOLDERS OF MANSION HOUSE GROUP LIMITED

*(incorporated in Hong Kong with limited liability)*

We have audited the financial statements on pages 17 to 65 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### 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 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. 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.

### Fundamental uncertainty: going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements. As explained in note 2(a) on the financial statements, the financial statements have been prepared on a going concern basis, the validity of which is dependent on the successful outcome of the proposed capital injection into the Group by a new investor and an existing major shareholder of the Group and the agreement with its major creditors to extend the repayment dates of certain loans and accounts payable and the successful conclusion of various initiatives to secure new sources of funding. The financial statements do not include any adjustments that would result from the failure to achieve the aforementioned. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

### OPINION

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31st December, 2001 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

**Li, Tang, Chen & Co.**

*Certified Public Accountants*

Hong Kong, 25th April, 2002