

Auditors' Report

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**Deloitte
Touche
Tohmatsu**

To the members of Mansion House Group Limited

萬勝集團有限公司

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 20 to 63 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 except that the scope of our work was limited as explained below.

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 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 set out below.

As explained in note 37(a) to the financial statements, the Company has disposed of its indirectly owned subsidiary, Guangdong Wanhua Real Estate Development Co., Ltd. ("GWRED") in February 2003. As we did not have access to the accounting records of GWRED, we were unable to obtain sufficient and satisfactory audit evidence in respect of the completeness of the following items, which were incorporated in the consolidated financial statements of the Group:

- (1) Gross proceeds from sale of properties of HK\$47,577,194;
- (2) Accounts receivable of HK\$6,544,686;
- (3) Other operating expenses of HK\$5,415,060 and staff costs of HK\$508,046.
- (4) Accounts payable of HK\$2,477,187; and
- (5) Other payables and accrued charges of HK\$14,510,490.



Any adjustments to the above amounts, would affect the net liabilities of the Group as at 31st December, 2002 and its loss for the year then ended.

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 RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements which explains that the directors are taking active steps to improve the liquidity position of the Group. Since the year end, the Company has disposed of a subsidiary for a net cash consideration of approximately HK\$38.3 million. Also, certain liabilities in the sum of approximately HK\$11.2 million will be conditionally settled by the issue of the Company's shares. In addition, the Company has entered into a non-legally binding letter of intent for the proposed appointment of the Company as the sole distribution agent of television programmes outside the People's Republic of China. Further, the Company is in the course of negotiating with a potential investor with respect to a proposed property injection into the Group. Provided that the Company enters into the sole distribution agency agreement and the potential investor completes the proposed property injection, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful completion of the sole distribution agency agreement and the property injection. We consider that the fundamental uncertainty has been adequately disclosed in the financial statements and our opinion is not qualified in this respect.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the matters set out in the basis of opinion section, 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 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with 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 considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account have been kept.

Deloitte Touche Tohmatsu
Certified Public Accountants

13th June, 2003

