

**REPORT OF THE AUDITORS****TO THE MEMBERS OF PREMIUM LAND LIMITED**

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 20 to 70 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 financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 Institute of Certified Public Accountants, except that the scope of work was limited as explained below.

An audit includes examination on a test basis, of evidence 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 financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanation 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 use was limited as set out below.

## REPORT OF THE AUDITORS

**Basis of opinion** *(Continued)*

1. As explained in note 2 to the financial statements, for reasons relating to current legal proceedings in respect of 杭州恆運交通開發有限公司 (the “HZHY”), the subsidiary of the Company, the directors were unable to satisfy themselves that the following amounts included in the consolidated financial statements relating to HZHY, based on its unaudited management accounts for the eleven months ended 28th February, 2005, were free from material misstatement:

– Turnover	HK\$11,154,000
– Cost of sales	HK\$4,136,000
– Other operating income	HK\$366,000
– Administrative expenses	HK\$7,843,000
– Property, plant and equipment	HK\$64,460,000
– Bank balances and cash	HK\$7,217,000
– Trade and other receivables	HK\$4,303,000
– Trade and other payables	HK\$58,545,000
– Minority interests	HK\$10,241,000

The directors were also unable to satisfy themselves as to the validity and completeness of the amounts attributable to HZHY included in the notes to the financial statements, including but not limited to the disclosure of commitments, pledge of assets and contingent liabilities.

2. Included in the consolidated income statement of the Group for the year ended 31st March 2005 is an impairment loss recognised in respect of property, plant and equipment of HZHY of HK\$200,000,000. However, we were unable to obtain sufficient information and explanations to satisfy ourselves as to whether the impairment loss recognised in respect of the toll highway as determined by the directors and the carrying value of the toll highway and the associated deferred tax liability as disclosed in notes 14 and 25, respectively, were free from material misstatement.

Any adjustments found to be necessary to the above amounts would, as appropriate, affect the net assets of the Group and of the Company as at 31st March, 2005 and the loss and cash flows of the Group 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 reasonable basis for our opinion.

**REPORT OF THE AUDITORS****Qualified opinion arising from limitation of scope**

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning HZHY referred to in the “Basis of Opinion” section of this report, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2005 and 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 limitation on our work relating to HZHY as set out in the “Basis of Opinion” section of this report:

- (i) we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- (ii) we were unable to determine whether proper books of account had been kept.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 27th July, 2005