

AUDITORS' REPORT

核數師報告



BDO McCabe Lo Limited
Certified Public Accountants
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德豪嘉信會計師事務所有限公司

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TO THE SHAREHOLDERS OF INNOVO LEISURE RECREATION HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 33 to 75 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 solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the Company'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. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provide a reasonable basis for our opinion. However, the evidence available to us was limited as set out below.

致澤新遊樂控股有限公司股東

(於百慕達註冊成立之有限公司)

本核數師行已完成審核載於第33至75頁按照香港普遍採納之會計原則編製之財務報表。

董事與核數師之個別責任

貴公司之董事須負責編製真實與公平之財務報表。在編製該等財務報表時，董事必須貫徹採用合適之會計政策。

本行之責任是根據本行審核工作之結果，對該等財務報表發表獨立意見，並按照百慕達一九八一年公司法第90條之規定，僅向整體股東作出報告，而不作其他用途。本行概不就本報告之內容向任何其他人士負上或承擔任何責任。

意見的基礎

本行已按照香港會計師公會頒佈之香港核數準則進行審核工作。審核範圍包括以抽查方式查核與財務報表所載數額及披露事項有關之憑證，亦包括評估董事於編製該等財務報表時所作重大估計和判斷、所釐定會計政策是否適合貴集團及貴公司之具體情況，及有否貫徹應用並足夠地披露該等會計政策。

本行在策劃及進行審核工作時，均以取得一切本行認為必需的資料及解釋為目標，使本行能獲得充份的憑證，就該等財務報表是否存有重要錯誤陳述，作出合理的確定。於表達意見時，本行亦已衡量該等財務報表所載資料在整體上是否充足。本行認為本行之審核工作為本行之意見建立合理基礎。然而，如下文所述，本行可取得之證據有限。

BASIS OF OPINION – continued

Fundamental uncertainty relating to going concern basis of presentation of financial statements

As detailed in Note 2 to the financial statements, a controlling substantial shareholder has agreed to provide adequate financial support to enable to the Group and the Company to meet in full its financial obligations as they fall due for the next twelve months. The financial statements have been prepared on a going concern basis, the validity of which depends on continuous financial support from its controlling substantial shareholder and the Group's banker and the ability to generate adequate working capital in the future. However, the evidence available to us was limited. Although the Group and the Company have received a letter of support from the controlling substantial shareholder evidencing the commitment in this respect, we are unable to obtain sufficient evidence to satisfy ourselves as to the financial resources of the controlling substantial shareholder and as to his ability to provide financial support to the Group and the Company. If the financial support from the controlling substantial shareholder is not forthcoming and the Group and the Company are unable to obtain sufficient financing from other sources, the going concern basis would then be inappropriate. The financial statements do not include any adjustments that may be necessary should the future operations cannot generate adequate working capital nor obtain financial support from its controlling substantial shareholder.

Fundamental uncertainty relating to the recoverability of certain receivables

In forming our opinion, we have considered the adequacy of the disclosure made in notes 18 and 19 to the financial statements which explains that included in the balance sheet of the Group at 31 December 2005 are amounts of HK\$29,323,000 and HK\$38,682,000 due from a trade debtor and the former director, respectively. The Group filed separate claims in June 2004 and July 2004 against the trade debtor and the former director, respectively, in the Hong Kong High Court to recover these amounts. Since the claims are still pending for court hearing, the directors consider it is unable to determine the final outcome of the claims. Accordingly, no impairment in respect of either of these amounts has been made in the financial statements. We consider that appropriate disclosure regarding this fundamental uncertainty has been adequately disclosed in the financial statements and our opinion is not qualified on this respect.

意見的基礎 – 續

有關按持續經營基準呈列財務報表之不明朗因素

誠如財務報表附註2所述，一名控股股東已同意提供足夠財務支援，致使貴集團及貴公司可於未來十二個月悉數支付到期財務責任。財務報表乃按持續經營基準編製，惟其效力須視乎日後貴集團之控股股東及往來銀行是否繼續提供財務支援及貴集團能否籌措足夠營運資金而定。然而，本行可取得之證據有限。儘管貴集團及貴公司已收到控股股東之支持函件，證明其於此方面之承諾，本行無法取得充分證據信納該控股股東具備充足之財務資源及為貴集團及貴公司提供財務支援之能力。倘貴集團無法取得控股股東之財務支援，且貴集團及貴公司未能取得其他融資來源，屆時採用持續經營基準將屬不恰當。財務報表並不包括任何倘業務營運日後無法提供足夠營運資金或無法取得控股股東之財務支援而可能需要作出之調整。

有關能否收回若干應收款項之基本不明朗因素

財務報表附註18及19解釋，貴集團於二零零五年十二月三十一日之資產負債表包括應收一名貿易債務人及一名前任董事之款項，分別為29,323,000港元及38,682,000港元。於達致意見時，本行已考慮當中之披露是否足夠。貴集團已於二零零四年六月及二零零四年七月入稟香港高等法院，就收回有關款項向該名貿易債務人及該名前任董事提出申索。由於申索正排期聆訊，董事認為無法在此階段預測最終申索結果。因此，貴集團並未就上述兩筆款項於財務報表作出減值撥備。吾等認為是項基本不明朗因素已於財務報表作出足夠披露，對此並無保留意見。

AUDITORS' REPORT

BASIS OF OPINION – *continued*

Qualification arising from disagreement about accounting treatment affecting opening balances

The financial statements of the Company as of 31 December 2004 were audited by the previous auditors whose report dated 29 April 2005 expressed a qualified opinion due to a disagreement about accounting treatment regarding a former subsidiary named 番禺飛圖夢幻影城有限公司 (Panyu Fantasy Film City Limited) ("PFFCL"). PFFCL was excluded from consolidation in the financial statements of the Group for the year ended 31 December 2003 and for the period up to May 2004. This accounting treatment, in the opinion of the previous auditors, was not in accordance with Statement of Standard Accounting Practice No. 32 "Consolidated financial statements and accounting for investments in subsidiaries" issued by the Hong Kong Institute of Certified Public Accountants. In the absence of PFFCL's financial statements for the period up to May 2004, it was not practicable for the previous auditors to determine the financial effect on the Group's financial statements of the year ended 31 December 2004 as a result of the Group's failure to properly account for PFFCL. Any adjustments found to be necessary in respect thereof would have a consequential effect on the results, cash flows and changes in equity of the prior year and the related disclosures thereof in the financial statements.

DISCLAIMER OF OPINION

Because of the significance of the limitation in the scope of our work related to the going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2005 or of the loss and cash flows of the Group for the year then ended and as to whether the financial statements 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 the going concern basis as referred to above we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

BDO McCabe Lo Limited
Certified Public Accountants

Lee Ka Leung, Daniel
Practising Certificate no. P01220

Hong Kong, 25 April 2006

核數師報告

意見的基礎 – 續

因影響期初結餘之會計處理方法意見分歧而發表保留意見

貴公司結算至二零零四年十二月三十一日之財務報表乃經前任核數師審核。該核數師因對前附屬公司番禺飛圖夢幻影城有限公司（「飛圖夢幻影城」）之會計處理方法意見分歧而於二零零五年四月二十九日發出之報告中表達保留意見。飛圖夢幻影城已自 貴集團截至二零零三年十二月三十一日止年度及截至二零零四年五月止期間之財務報表解除綜合計算。前任核數師認為此項會計處理方法並不符合香港會計師公會頒佈之會計實務準則第32號「綜合財務報表及附屬公司投資之會計方法」之規定。在缺乏飛圖夢幻影城截至二零零四年五月止期間之財務報表之情況下，前任核數師無法確定並無適當處理之飛圖夢幻影城賬目對 貴集團截至二零零四年十二月三十一日止年度財務報表之財務影響。任何因應上述情況所須作出之調整必然會對上年度之業績、現金流量及權益變動，以及該年度財務報表中之相關披露事項構成影響。

未能就財務報表提供意見

由於本行有關持續經營基準之工作範圍遭受重大限制，本行未能就財務報表是否真實公平反映 貴集團及 貴公司於二零零五年十二月三十一日之財務狀況或 貴集團於截至該日止年度之虧損及現金流量，以及財務報表是否按照香港公司條例之披露規定妥為編製提供意見。

僅就上述有關持續經營基準之工作限制而言，本行並無取得本行認為核數所需全部資料及解釋。

德豪嘉信會計師事務所有限公司
執業會計師

李家樑
執業證書編號：P01220

香港，二零零六年四月二十五日