

# Deloitte.

## 德勤

### TO THE SHAREHOLDERS OF PALADIN LIMITED

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 14 to 46 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 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. 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 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 relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures in note 2 to the financial statements which explain that the Group is dependent upon the financial support of its banker and other lenders. In July 2005, the Group entered into a loan agreement with certain banks and obtained a term loan of HK\$994 million to refinance the Hong Kong dollar term loan of HK\$591 million and other loan of HK\$155 million (both together with the accrued interest and other related charges). As explained in note 20 to the financial statements, the term loan of HK\$994 million shall be repayable by two installments with the first repayment to reduce the outstanding term loan to HK\$442 million on the date falling six months after the date of the first advance of the loan (i.e. 22 January 2006) and the balance of the outstanding loan amount shall be repayable on the date falling twelve months after the date of signing the loan agreement (i.e. 21 July 2006). Taking into account the estimated proceeds from sales of developed properties, the directors consider that, with the continuous financial support of the Group's bankers and other lenders, 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 future funding being available. The financial statements do not include any adjustments that would result from failure to obtain such funding. We consider that the fundamental uncertainty has been adequately disclosed in the financial statements 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 affairs of the Company and the Group as at 30 June 2005 and of the profit 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.

## Deloitte Touche Tohmatsu

*Certified Public Accountants*

Hong Kong  
25 October 2005