

# Auditors' Report

PRICEWATERHOUSECOOPERS 

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## AUDITORS' REPORT TO THE SHAREHOLDERS OF BAOYE GROUP COMPANY LIMITED

*(incorporated in the People's Republic of China with limited liability)*

We have audited the accounts on pages 35 to 94 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### Respective responsibilities of directors and auditors

The directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts 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 accounts and to report our opinion solely to you, as a body, 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 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

## Auditors' Report

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 accounts are free from material misstatement. However, the evidence available to us was limited in respect of the material transactions entered into by the Group as described in note 3 to the accounts. We have not been able to obtain sufficient explanations and evidence relating to these transactions, and there were no practical alternative audit procedures that we could perform to satisfy ourselves as to the propriety of such transactions and their potential impact, if any, on the accounts, and as to the appropriateness and completeness of the related disclosures.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### Qualified opinion arising from limitation of audit scope

Except for any adjustments and/or additional disclosures that might have been found to be necessary had we been able to obtain sufficient evidence concerning the transactions referred to in the "Basis of opinion" paragraph, in our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2003 and of the Group's profit and cash flows 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 the transactions described above:

- 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 accounts have been kept.

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 28th May 2004