

Report of the Auditors 核數師報告



To the members
Orient Power Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 42 to 170 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 1981, 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, except that the scope of our work was limited as explained below.

An audit includes an 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 Company's and the Group'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, however, the evidence available to us was limited as further explained below.

致：全體股東
東強電子集團有限公司
(於百慕達註冊成立之有限公司)

本會計師行(「本行」)已完成審核第42頁至第170頁按照香港公認會計原則編製之財務報表。

董事及核數師之個別責任

貴公司之董事須負責編製真實與公平之財務報表。在編製該等真實與公平之財務報表時，董事必須選擇及貫徹採用合適之會計政策。本行之責任是根據審核工作之結果，對該等財務報表表達獨立意見，並根據百慕達一九八一年公司法第90條向全體股東呈報，除此以外本報告概不可用作其他用途。本行概不就本報告之內容對任何其他人士負責或承擔法律責任。

意見之基礎

本行已按照香港會計師公會所頒佈之香港核數準則進行審核工作，惟本行工作範圍局限於下文所載。

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之重大估計和判斷，及所採用之會計政策是否適合貴公司與貴集團之具體情況，以及是否貫徹應用並充份披露該等會計政策。

本行在策劃審核工作時，均以取得所有本行認為必需之資料及解釋為目標，使本行能獲得充份憑證，合理確定該等財務報表是否存有重大錯誤陳述。然而，本行所獲憑證局限於下文詳載。

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Basis of opinion (continued)

- (1) Scope limitation - carrying amount and provision/write-off relating to property, plant and equipment

As at 31 December 2005, included in the consolidated balance sheet of the Group is property, plant and equipment ("PPE") stated at the net carrying amount of HK\$386,932,000 after an impairment provision and write-off. An impairment assessment has been performed by the directors of the Company to determine the recoverable amount either from utilisation of the said PPE in future operations, or from their disposal, in accordance with the future production plan of the Group and as further detailed in note 14 to the financial statements, an impairment provision of HK\$88,665,000 and a write-off of HK\$19,949,000 have been made and charged to the consolidated income statement for the year ended 31 December 2005. In the absence of sufficient reliable evidence to support the directors' assessment of the future scaling down of the Group's production operations and consequently the manner in which the Group's PPE will be recovered, and as a result of the uncertainties regarding the adequacy of the Group's working capital in the implementation of its production plan pursuant to the Debt Restructuring Proposal, as further explained in note 2.1 to the financial statements, we have not been able to satisfy ourselves as to whether the impairment provision and the write-off determined by the directors against the carrying amount of the PPE for the year ended 31 December 2005, and in consequence the net carrying amount of PPE as at 31 December 2005 are fairly stated.

意見之基礎 (續)

- (1) 範圍限制－物業、廠房及設備之賬面值及撥備／撇銷

於二零零五年十二月三十一日，貴集團之綜合資產負債表內載有扣除減值撥備及撇銷後按賬面淨值386,932,000港元列賬之物業、廠房及設備。貴公司董事已進行減值評估，旨在根據貴集團未來生產計劃，釐定於未來經營過程中使用及出售上述物業、廠房及設備產生之可收回金額。誠如財務報表附註14詳述，貴集團對其物業、廠房及設備已作出減值撥備88,665,000港元及撇銷19,949,000港元並於自截至二零零五年十二月三十一日止年度之綜合收益表扣除。在無充份可靠憑證支持董事對未來削減貴集團生產經營規模的評估以及最後貴集團物業、廠房及設備收回之方式，及由於不確定貴集團是否具備足夠營運資金以根據債務重組計劃（詳情載於財務報表附註2.1）執行生產計劃，故本行未能信納董事對截至二零零五年十二月三十一日止年度物業、廠房及設備之賬面值釐定之減值撥備及撇銷額，以及繼而於二零零五年十二月三十一日之物業、廠房及設備之賬面淨值是否經公平列賬。

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Basis of opinion (continued)

- (2) Scope limitation – carrying amounts and write-off relating to deferred product development costs and deposits for product development costs and moulds

As at 31 December 2005, included in the consolidated balance sheet of the Group are deferred product development costs capitalised of HK\$22,820,000 and deposits for product development costs and moulds of HK\$16,105,000, stated net of amounts written off. An impairment assessment has been performed by directors of the Company to determine the recoverable amounts from utilisation of the said deferred product development costs and deposits for product development costs and moulds in future operations and, as detailed in notes 18 and 22 to the financial statements, respectively, deferred product development costs of HK\$50,037,000 and deposits for product development costs and moulds of HK\$26,663,000 have been written off and charged to the consolidated income statement for the year ended 31 December 2005. In the absence of sufficient reliable evidence to support the directors' assessment of the carrying values of the abovementioned deferred product development costs and deposits for product development costs and moulds and, as a result of uncertainties regarding the adequacy of the Group's working capital in the implementation of its production plan pursuant to the Debt Restructuring Proposal, as further explained in note 2.1 to the financial statements, we have not been able to satisfy ourselves as to whether the amounts written-off determined by the directors against the carrying amounts of deferred product development costs and deposits for product development costs and moulds for the year ended 31 December 2005, and in consequence their net carrying amounts as at 31 December 2005 are fairly stated.

意見之基礎 (續)

- (2) 範圍限制－遞延產品開發成本及產品開發成本及模具按金之賬面值及撇銷

於二零零五年十二月三十一日，貴集團之綜合資產負債表內包括遞延產品開發成本22,820,000港元及產品開發成本及模具按金16,105,000港元(按扣除撇銷金額列賬)。貴公司董事已進行減值評估以釐定在未來經營中動用上述遞延產品開發成本及產品開發成本及模具按金之可收回金額，誠如財務報表附註18及22詳述，遞延產品開發成本50,037,000港元及產品開發成本及模具按金26,663,000港元已撇銷並自截止二零零五年十二月三十一日止年度之綜合損益表扣除。在無充份可靠憑證支持董事對上述遞延產品開發成本及產品開發成本及模具按金賬面值的評估，及由於不確定貴集團是否具備足夠營運資金以根據債務重組計劃(詳情載於財務報表附註2.1)執行生產計劃，故本行未能信納董事對截至二零零五年十二月三十一日止年度遞延產品開發成本及產品開發成本及模具按金之賬面值釐定之撇銷額，以及繼而於二零零五年十二月三十一日之有關賬面淨值是否經公平列賬。

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Basis of opinion (continued)

- (3) Scope limitation – carrying amount and provision relating to inventories

As at 31 December 2005, included in the consolidated balance sheet of the Group are inventories of HK\$300,180,000 stated net of a provision for obsolete inventories of approximately HK\$307,600,000, of which HK\$290,121,000 was charged to the consolidated income statement for the year ended 31 December 2005. Due to the lack of sufficient reliable evidence, we have not been able to perform the procedures we considered necessary to satisfy ourselves as to whether the provision for obsolete inventories for the year ended 31 December 2005, and in consequence the net carrying amount of inventories as at 31 December 2005 are fairly stated.

- (4) Scope limitation - carrying amount and provision for impairment of interests in subsidiaries

As at 31 December 2005, included in the balance sheet of the Company are interests in subsidiaries of HK\$1, stated net of a provision for impairment against interests in subsidiaries of HK\$1,055,516,000, of which HK\$970,716,000 was charged to the income statement of the Company for the year ended 31 December 2005, as detailed in note 19 to the financial statements. Due to the scope limitations in respect of points (1) to (3) above, we have not been able to satisfy ourselves as to whether the impairment provision determined by the directors against the carrying amount of such interests in subsidiaries for the year ended 31 December 2005, and in consequence the net carrying amount of interests in subsidiaries as at 31 December 2005 are fairly stated.

We have been unable to carry out alternative audit procedures to satisfy ourselves as to the matters set out in points (1) to (4) above.

意見之基礎 (續)

- (3) 範圍限制－存貨賬面值及撥備

於二零零五年十二月三十一日存貨300,180,000港元按扣除陳舊存貨撥備約307,600,000港元在貴集團之綜合資產負債表內列賬，其中290,121,000港元自截至二零零五年十二月三十一日止年度之綜合收益表扣除。由於缺乏充份可靠憑證，本行未能執行本行認為必要之程序以信納截至二零零五年十二月三十一日止年度之陳舊存貨撥備及存貨於二零零五年十二月三十一日之賬面淨值是否經公平列賬。

- (4) 範圍限制－於附屬公司權益之賬面值及減值撥備

於二零零五年十二月三十一日附屬公司之權益1港元按扣除減值撥備1,055,516,000港元在貴公司之資產負債表內列賬，其中970,716,000港元已自本公司截至二零零五年十二月三十一日止年度之收益表扣除（詳情載於財務報表附註19）。鑒於上述(1)至(3)點之範圍限制，本行未能信納董事就於附屬公司之該等權益釐定之截至二零零五年十二月三十一日止年度之減值撥備及其於二零零五年十二月三十一日附屬公司之權益之賬面淨值是否經公平列賬。

本行未能執行其他審核程序以信納上述(1)至(4)點所載之事項。

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Basis of opinion (continued)

Any adjustment that might have been found to be necessary in respect of the matters set out in points (1) to (3) above would have a consequential effect on the net deficiency of the Group as at 31 December 2005, its loss and cash flows for the year then ended and the related disclosures in the financial statements.

Any adjustment that might have been found to be necessary in respect of the matters set out in point (4) above would have a consequential effect on the net deficiency of the Company as at 31 December 2005, its loss for the year then ended and the related disclosures in the financial statements.

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 2.1 to the financial statements which explain the circumstances giving rise to the fundamental uncertainty relating to the outcome of the proposed restructuring of the existing outstanding indebtedness of the Group to replace the Group's existing standstill arrangement (the "Debt Restructuring Proposal") and the continuous financial support from the Group's financial creditors. These financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of the Debt Restructuring Proposal and the continuous financial support from the Group's financial creditors. The financial statements do not include any adjustments that may be necessary if the Group fail to implement the Debt Restructuring Proposal or to obtain the necessary financial support from its financial creditors. We consider that appropriate disclosures have been made in the financial statements concerning this situation, but this fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.

意見之基礎(續)

可能就上述(1)至(3)點所載事項所作出之任何必要調整，或會對 貴集團於二零零五年十二月三十一日之虧蝕淨額、截至該日止年度之虧損及現金流量以及財務報表之相關披露產生影響。

可能就上述第(4)點所載事項所作出之任何必要調整，或會對 貴公司於二零零五年十二月三十一日之虧蝕淨額、截至該日止年度之虧損及財務報表之相關披露產生影響。

於達致本行之意見時，本行亦評估財務報表內所呈報資料之整體充份性。本行認為本行之審核為本行之意見提供合理基準。

有關持續經營之基本不明朗因素

在達致本行之意見時，本行曾考慮財務報告附註2.1所作之披露之充份性。該附註解釋引致有關 貴集團建議重組現有未償還債務以代替其現行延期還款安排(「債務重組計劃」)及 貴集團財務債權人之持續財務援助結果之基本不明朗因素。該等財務報表已按持續經營基準編製，其有效性視乎債務重組計劃能否成功實施及 貴集團財務債權人是否持續給予財務援助。財務報表並不包括 貴集團未能實施債務重組計劃或未能向其財務債權人取得必需之財務援助時應作出之任何必要調整。本行認為財務報表已就此情況作出合適披露，但由於有關採納持續經營基準是否恰當之基本不明朗性十分極端，本行不就此發表意見。

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Fundamental uncertainty relating to the possible outcome of a litigation

In forming our opinion, we have considered the adequacy of the disclosures made in note 37(c) to the financial statements concerning the outcome of the litigation against the Company and certain subsidiaries of the Group for various claims which include a claim for substantial estimated unpaid royalties. Although the directors of the Company, based on the legal opinion provided by the Group's legal counsel, are of the view that the related defendants have valid grounds for defending such claims made by the plaintiff, with the litigation still ongoing, it is not possible to ascertain with any degree of reasonable certainty the outcome of this litigation and the existence or otherwise of any compensation payable should the related defence become unsuccessful. We consider that appropriate disclosures and estimates have been made in the financial statements for such contingencies and our audit opinion is therefore not qualified in this respect.

Disclaimer of opinion

Because of the significance of (i) the possible effects of the scope limitations in evidence available to us in each of the areas as set out in points (1) to (4) under the basis of opinion section of this report; and (ii) the fundamental uncertainty relating 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 Company and of the Group as at 31 December 2005 and 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.

有關可能訴訟結果之基本不確定因素

在達致意見時，本行已考慮財務報表附註37(c)所作披露是否充分，該附註說明有關針對貴公司及貴集團若干附屬公司多項申索（包括一項涉及大額預計未付版稅之申索）之訴訟結果。儘管基於貴集團法律顧問提供之法律意見，貴公司董事認為有關被告對原告作出之該等申索進行之抗辯有有效依據，然而，訴訟乃在進行中，尚不可能合理確定該訴訟之結果，或者有關抗辯之任何應付賠償如抗辯無法成功。本行認為財務報表中已就該等或然債項作出適當披露及預計，故本行對此並無保留意見。

不發表意見

鑒於(i)本報告意見之基礎第(1)至(4)點各載列本行所獲憑證之審核範圍限制之可能影響；及(ii)有關持續經營基準之基本不明朗因素兩者均關係重大，本行無法對財務報表能否足以真實兼公平地顯示貴公司與貴集團於二零零五年十二月三十一日結算時之財務狀況，及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表達意見。

*Report of the Auditors 核數師報告***Disclaimer of opinion (continued)**

In respect alone of the limitations on our work as further set out in the basis of opinion section of this report, including namely the net carrying amounts and provisions/write-off relating to property, plant and equipment, deferred product development costs and deposits for product development costs and moulds and inventories for the Group, and the interests in subsidiaries for the Company, we have not obtained all the information and explanations that we consider necessary for the purpose of our audit.

ERNST & YOUNG
Certified Public Accountants

Hong Kong
26 April 2006

不發表意見(續)

誠如本報告意見之基礎一節詳細載述，僅就上述本行工作所面對之限制而言，包括有關 貴集團物業、廠房及設備之賬面淨值及撥備／撇銷、遞延產品開發成本及產品開發成本及模具之按金及存貨及於 貴公司附屬公之權益，本行未能取得本行認為核數工作所需之一切資料及解釋。

安永會計師事務所
註冊會計師

香港
二零零六年四月二十六日