

# Report of the Auditors

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## **TO THE SHAREHOLDERS OF THE SUN'S GROUP LIMITED**

### **(Provisional Liquidators Appointed)**

*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of The Sun's Group Limited (the "Company") and its subsidiaries (the "Group") on pages 12 to 40 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 consolidated financial statements which give a true and fair view. In preparing consolidated 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 consolidated 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 ("HKICPA") 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 consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group 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 consolidated financial statements are free from material misstatement. However, the evidence available to us was limited as we were unable to obtain sufficient direct confirmations or other documentary evidence from the Group's creditors, bankers, loan providers, shareholders, former directors and related companies in respect of the Group's liabilities due to them in the amounts of HK\$64,070,000, HK\$300,334,000, HK\$18,985,000, HK\$33,415,000, HK\$82,530,000 and HK\$31,000 respectively, included in the consolidated balance sheet as at 31st December, 2005. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves on the above. Any adjustments found to be necessary would affect the net liabilities of the Group as at 31st December, 2005 and the loss and cash flows of the Group for the year then ended.

## QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the Group's liabilities referred to in the "Basis of Opinion" section of this report, in our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December 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 the matters 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 and records had been kept.

Without qualifying our audit opinion, we draw your attention that the consolidated financial statements are prepared on a net realization basis as detailed in note 2 to the consolidated financial statements.

**Patrick Ng & Company**  
*Certified Public Accountants*

Hong Kong, 26th June, 2006