

## INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited  
20/F., Shui On Centre  
6-8 Harbour Road, Hong Kong

### TO THE SHAREHOLDERS OF MAXX BIOSCIENCE HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements of Maxx Bioscience Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 75, which comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2006 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 3(b) to the financial statements which indicates that the Group recorded net current liabilities of approximately HK\$35,071,000 as at 31 December 2006. In forming our opinion, we have considered the adequacy of disclosures made in the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements. As set out in Note 3(b) to the financial statements, provided that (i) the Group can successfully negotiate with its major banks to secure their ongoing support to the Group and extend the short-term loans upon maturity for a period up to February 2008; (ii) the Group can continuously obtain the loan facilities from its ultimate holding company; and (iii) the Group can implement other measures to improve its working capital position and net financial position. The directors of the Company are satisfied that 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 future funding being available. The financial statements do not include any adjustments that would result from a failure of the Group to obtain such future funding. We consider that the fundamental uncertainty has been adequately disclosed in the financial statements and our opinion is not qualified in this respect.

### **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

### **Ip Yu Chak**

*Practicing Certificate Number: P04798*

Hong Kong  
20 April 2007