

# INDEPENDENT AUDITOR'S REPORT



## **Horwath Hong Kong CPA Limited**

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## **TO THE SHAREHOLDERS OF RONTEX INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Rontex International Holdings Limited (the “company”) and its subsidiaries (collectively referred to as the “group”) set out on pages 22 to 77, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

20

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The directors 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, 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.

## INDEPENDENT AUDITOR'S REPORT

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 judgment, 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 auditor considers 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.

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 consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2007 and of the loss and cash flows of the group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to note 2 to the financial statements which indicates that the group incurred consolidated loss before minority interest of approximately HK\$39,354,000 during the year ended 31 March 2007 and, as of that date, the group reported consolidated net current liabilities of approximately HK\$8,515,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon the measures undertaken by the group to improve its working capital and the financial support of the company's substantial shareholders in providing adequate funds to finance the working capital requirements of the group. Our opinion is not qualified in this respect.

Without qualifying our opinion, we draw attention to the fact that the auditors' report dated 25 July 2006 on the group's financial statements for the year ended 31 March 2006, which form the basis for the comparatives presented in the current year's financial statements, was qualified on account of the limitation on the scope to the fundamental uncertainties relating to the going concern basis.

#### **HORWATH HONG KONG CPA LIMITED**

Certified Public Accountants

25 July 2007

Shiu Hong Ng

Practising Certificate number P03752

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