

# INDEPENDENT AUDITORS' REPORT

Certified Public Accountants  
Member of Grant Thornton International

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均富會計師行

## **To the members of Apex Capital Limited**

*(incorporated in Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Apex Capital Limited (the "Company") set out on pages 19 to 53, 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.

## **Auditors' 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.

Except as described in the basis for qualified opinion paragraph, 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 auditors' 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

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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.

## Basis of qualified opinion

As at 31 December 2005, the Group's balance sheet included an available-for-sale financial asset in an unlisted equity security ("Tianjin Standard") amounting to HK\$6,874,000. As further detailed in note 17(i), the directors have made full impairment provision of HK\$6,874,000 against this asset in the current year for the sake of prudence as they were unable to obtain any financial information relating to this entity in 2006. We have not been able to obtain the information we need from the Company, nor were there any satisfactory alternative procedures we could perform, in order to assess whether the amount of impairment provision and the carrying value of this asset at 31 December 2006 were fairly stated. Any adjustments to the carrying amount of this asset found to be necessary as at 31 December 2006 would have a consequential effect on the net assets of the Group at that date and the loss for the Group for the year then ended.

## Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the carrying amount of the available-for-sale financial asset, 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 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 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 carrying value of an available-for-sale financial asset, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

### **Grant Thornton**

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26 April 2007