

AUDITORS' REPORT



Lam, Kwok, Kwan & Cheng C.P.A.
Limited
Certified Public Accountants
林郭關鄭會計師事務所有限公司

Room 1520-3A, 15th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong.
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TO THE MEMBERS OF FU CHEONG INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 19 to 42 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the Directors to prepare 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, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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 141 of the Hong Kong Companies Ordinance, 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 Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed 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 accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the preparation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

AUDITORS' REPORT *(continued)*

UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the preparation of financial statements on going concern basis in view of the significant accumulated losses of HK\$37,775 thousand and net current liabilities of HK\$26,698 thousand as at 31 December 2004. The continuance in business as a going concern is dependent upon the availability of financial support from the shareholders.

The financial statements do not include any adjustments that would result from a failure to obtain such financial support and undertakings. Details of the circumstances relating to this uncertainty are described in note 3. We consider that appropriate estimates and disclosures have been made and our opinion is not qualified in this respect.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance (Chapter 32) of the laws of Hong Kong.

LAM, KWOK, KWAN & CHENG C.P.A. LIMITED*Certified Public Accountants***Lam Sing Hung***Practising certificate number – P00961*

Hong Kong, 18 April 2005

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