Auditors' Report

TO THE MEMBERS OF
ORIENT INDUSTRIES HOLDINGS LIMITED
(FORMERLY KNOWN AS JACKLEY HOLDINGS LIMITED)
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 23 to 74 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 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.

It is our responsibility to form an independent opinion, based on our audit, on those statements 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.

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, 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 financial statements are free from material misstatement. However, the evidence available to us was limited as explained below:

(a) During the year the Group acquired 49% additional equity interest in a subsidiary. The goodwill on consolidation generated from the said acquisition was based on the subsidiary's unaudited management accounts. In the current year, the Group has written off 50% of the goodwill arising therefrom. We have been unable to carry out any audit procedures to ascertain the fair value of the identifiable assets and liabilities of this subsidiary. In addition, we have not been provided with sufficient information regarding the future operation of the subsidiary to justify the carrying value of the above mentioned goodwill. Accordingly we are unable to determine whether the goodwill arising from the above mentioned acquisition is fairly stated and whether any impairment losses should be made against the goodwill. Any adjustment to the goodwill would have a consequential effect on the loss for the year and the value of goodwill being capitalised.

(b) The Group's plant and machinery utilized for the production of carpets with a carrying value of approximately HK$54,100,000 as at 31 December 2004 have not been operating on a normal capacity basis during the year. No provision for impairment in respect of this plant and machinery has been made. We have not been able to carry out any audit procedures to ascertain the fair value of this plant and machinery as at 31 December 2004. Any impairment would have a consequential effect on the loss for the year and the carrying value of this plant and machinery as at 31 December 2004.

(c) Included in the trade and bills receivables was an amount of HK$47,950,000 due from a debtor which has been overdue for over one year as at 31 December 2004. We have been unable to carry out the procedures we consider necessary to satisfy ourselves that this amount can be recoverable in full. Any adjustments to the amount would have a significant effect on the net assets of the Group as at 31 December 2004 and the results of the Group for the year ended 31 December 2004.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty relating to going concern basis

In forming our opinion, we have considered the adequacy of the disclosure made in the financial statements concerning the basis of preparation of financial statements made by the directors. As explained in note 2 to the financial statements, the Group had net current liabilities of HK$20,209,000 as at 31 December 2004 and subsequent to the balance sheet date, the Company has issued new shares totaling HK$28,900,000 and entered into a subscription agreement for HK$33,000,000. The directors have given consideration to the future operations and financing of the Group. The financial statements have been prepared on a going concern basis, the validity of which is subject to the successful outcome of the measures to be implemented by the Company and the Group. We consider that the fundamental uncertainty has been adequately disclosed in the financial statements and our opinion is not qualified in this respect.

Qualified opinion: Disclaimer on view given by financial statements

Because of the significance of the matters as set out in the basis of opinion section, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 or of the loss and cash flows of the Group for the year then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong
28 April 2005