

Auditors' Report



國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
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TO THE SHAREHOLDERS OF STARBOW HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 15 to 54 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 for the preparation of 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 financial statements 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.

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 Group's and the Company'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 follows:

RECOVERABILITY OF OTHER RECEIVABLES

Included in other debtors, deposits and prepayments in the Group's consolidated balance sheet as at 31 March 2005 is an amount due from a debtor of approximately HK\$41,005,000, further details of which are disclosed in Note 17 to the financial statements. The debtor agreed that the balance would be settled in full by 31 December 2005. However, we have been unable to obtain reliable information to assess the financial position of this debtor. Accordingly, we have been unable to obtain sufficient audit evidence either to ascertain if this debt can be recovered in full, or to determine the amount of provision, if any, required to be reflected in the financial statements.

Auditors' Report (continued)

RECOVERABILITY OF OTHER RECEIVABLES (continued)

Any adjustments that might have been found to be necessary in respect of the matter set out above would have a consequential impact on the net loss of the Group for the year ended 31 March 2005, the net assets of the Group as at 31 March 2005, and on the classification of such items and their related disclosures in the financial statements as at and for the year ended 31 March 2005.

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 UNCERTAINTIES RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in Note 1 to the financial statements, the validity of the going concern basis depends upon the Group's ability to raise additional equity funding from the Company's existing and/ or new shareholders, the Group's success in recovering its outstanding trade and other receivables, the continuing financial support from the Group's bankers and other providers of finance, the successful attainment of profitable and positive cash flow operations and the successful outcome of the implementation of the other measures noted above. The financial statements do not include any adjustments that might be necessary if these measures were not to be successful or insufficient, or if the going concern basis were not to be appropriate and/ or the financial support mentioned above would be withdrawn. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the recoverability of the amount due from the debtor as referred to above, in our opinion the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2005 and of the loss and cash flows of the Group for the year then ended 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 amount due from the debtor as referred to above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

Hong Kong, 26 July 2005