

Report of the Auditors



安永會計師事務所

To the members

Sewco International Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 31 to 89 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 statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an 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 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 financial statements are free from material misstatement. 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.

Report of the Auditors

Fundamental uncertainty – Ongoing ICAC Investigation

As further explained in note 2 to the financial statements, in June 2005, certain senior executives and directors of the Group, including the then Chairman of the board of directors of the Company and an executive director of the Company, were arrested by the Independent Commission Against Corruption (the “ICAC”) and were alleged to have solicited illegal rebates from certain suppliers for placing purchase orders with them between the years 2002 and 2004 (the “Incident”). The ICAC’s investigation (the “ICAC Investigation”) is currently underway. Further details of the above were included in the Company’s announcements dated 6 July 2005 (the “Announcement”) and 26 January 2006 (the “Subsequent Announcement”). At the date of this report, save as disclosed above and in the Announcement and the Subsequent Announcement, the Company is not aware of the current status of the ICAC Investigation, and hence any possible impact on the Group’s operations and financial position.

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements in respect of the ICAC Investigation and the Incident. We consider that the fundamental uncertainty has been adequately disclosed in the financial statements and our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the profit 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.

Ernst & Young

Certified Public Accountants

Hong Kong

13 April 2006