

INDEPENDENT AUDITORS' REPORT



18/F, Two International Finance Centre
8 Finance Street, Central, Hong Kong

To the shareholders of Sewco International Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Sewco International Holdings Limited set out on pages 37 to 85, 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. Our report is made 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.

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 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.

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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 2006 and of the Group's profit 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.

Significant uncertainty – Ongoing proceedings by the Independent Commission Against Corruption

Without qualifying our opinion we draw attention to note 2 to the financial statements. As further explained in that note, in June 2005, certain senior executives and directors of the Group (the "Defendants"), including the then Chairman of the board of directors of the Company and a then 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. In December 2006, the above individuals were charged by the ICAC for defrauding and embezzling funds (the "Charge"). At the date of this report, save as disclosed in note 2 to the financial statements, the Company is not aware of other development of the Charge, and hence any possible impact on the Group's operations and financial position.

This uncertainty was also included in our auditors' report dated 13 April 2006 on the financial statements of the Group for the year ended 31 December 2005.

Ernst & Young

Certified Public Accountants

Hong Kong
17 April 2007