

REPORT OF THE INDEPENDENT AUDITOR



Independent auditor's report to the shareholders of China Force Oil & Grains Industrial Holdings Co., Ltd.

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Force Oil & Grains Industrial Holdings Co., Ltd. (the "Company") set out on pages 25 to 96, which comprise the consolidated and company balance sheets as at 31 December 2006, 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. 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made 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.

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. Because of the matter described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

As explained in note 1(b) to the consolidated financial statements, which indicates that the Group incurred a consolidated net loss attributable to equity holders of the Company of approximately HK\$323,384,000 for the year ended 31 December 2006 and had a consolidated net current liabilities of approximately HK\$174,552,000 and consolidated net liabilities of approximately HK\$57,788,000 as at 31 December 2006, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the successful outcome of the Group's current negotiations with its principal bankers and prospective investors to secure continual financial support and obtain new working capital in order for the Group to meet its financial obligation as they fall due and to finance its future working capital and financial requirements. The consolidated financial statements do not include any adjustments that would result from a failure to obtain such support and working capital. We consider that appropriate disclosures have been made. However, the uncertainty surrounding the outcome of these negotiations raises significant doubt about the Company's ability to continue as a going concern.

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Disclaimer of opinion: disclaimer on view given by financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the consolidated financial statements as to whether they 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 loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared, in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 April 2007