

## Auditors' Report

### RSM! Nelson Wheeler

羅申美會計師行

Certified Public Accountants

**TO THE SHAREHOLDERS OF  
CHINA NAN FENG GROUP LIMITED  
(FORMERLY KNOWN AS PROSPER eVISION LIMITED)**  
*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 21 to 62 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 Society of 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 circumstances of the Company and the Group, 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.

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### FUNDAMENTAL UNCERTAINTY RELATING TO GOING CONCERN

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 incurred a consolidated loss attributable to shareholders of HK\$262,341,000 for the year ended 31 December 2003 and had net current liabilities and capital deficiency of HK\$178,100,000 and HK\$177,561,000 respectively as at 31 December 2003.

The financial statements have been prepared on a going concern basis, the validity of which depends upon (i) the restructuring proposal which has become effective on 27 April 2004 to strengthen the capital base of the Company and (ii) the financial support of a shareholder, who after the effective date of the restructuring proposal became a substantial shareholder, of not more than HK\$10 million to finance the working capital requirement of the Company. Details of the restructuring proposal and the circumstances relating to this fundamental uncertainty are described in note 2 to the financial statements. 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 the affairs of the Company and of the Group as at 31 December 2003 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**RSM Nelson Wheeler**  
*Certified Public Accountants*

Hong Kong, 29 April 2004