

TING HO KWAN & CHAN
Certified Public Accountants (practising)
9th Floor, Tung Ning Building,
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TO THE SHAREHOLDERS OF NIPPON ASIA INVESTMENTS HOLDINGS LIMITED
(FORMERLY CHINA CITY NATURAL GAS HOLDINGS LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 87 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, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our work was limited as explained below.

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 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:

Discontinuing operations of manufacturing and trading of silicone rubber products

As further detailed in note 24 to the financial statements, pursuant to a sale and purchase agreement made by the Group with an independent third party on 14 February 2006, the Group disposed of its entire interests in a subsidiary, Golite International Limited together with its subsidiaries (collectively referred to the "Golite group"). The Golite group is principally engaged in the business of manufacturing and trading of silicone rubber products. The total assets and liabilities of the Golite group of HK\$374,000 and HK\$3,663,000 respectively as included in the consolidated balance sheet as at 31 July 2005 and the loss of the Golite group of HK\$18,480,000 as shown in the consolidated profit and loss account for the year then ended were derived from the unaudited management accounts of the Golite group. In the absence of all necessary information and documentary evidence, we have not been able to perform audit procedures that we consider necessary to satisfy ourselves as to the truth and fairness of the financial information of the Golite group so consolidated in the financial statements of the Company. Similarly, we are unable to satisfy ourselves as to the truth and fairness of the analysis of the Golite group as shown in note 24(b) to the financial statements.

For the above same reason, we have been unable to satisfy ourselves that certain disclosures which had incorporated the financial information in relation to the Golite group, as set out in notes 4, 5, 6, 10 and 14 to the financial statements; and the corresponding cash flows arising from the operations of the Golite group, as included in the consolidated cash flow statement, are fairly stated.

Any adjustments that might have been found to be necessary in respect of the matters set out above would have a consequential impact on the net assets of the Group as at 31 July 2005 and the Group's loss and cash flows for the year then ended and their related disclosures in the financial statements.

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.

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 possible effect of the limitations in evidence available to us as set out in the basis of opinion section of this report, 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 July 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 limitations on our work as set out in the basis of opinion section of this report:

- We have not obtained all the information and explanations that we consider necessary for the purpose of our audit; and
- We were unable to determine whether proper books of accounts have been kept.

TING HO KWAN & CHAN
Certified Public Accountants (practising)

Hong Kong, 25 August 2006