

Report of the Independent Auditors



**TO THE SHAREHOLDERS OF
GRAND FIELD GROUP HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Grand Field Group Holdings Limited set out on pages 26 to 67 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 principal accounting policies and other explanatory notes.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors 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 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.

RESPONSIBILITIES OF AUDITORS

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other reason. 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 includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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 Company's and the Group'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 Company's and the Group'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.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the Company's and the Group's affairs as at 31 December 2006 and of its loss 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 Hong Kong Companies Ordinance.

Without qualifying our opinion we draw attention to note 33 to the financial statements. Two directors of the Company are under investigation by the Independent Commission Against Corruption (the "ICAC") in connection with their involvement in a transaction entered into by the Company regarding a gas pipeline business in Chongqing in 2002. The ICAC's investigation is currently ongoing. Further details of the ICAC investigation were included in the Company's announcement dated 21 March, 2007 (the "Announcement"). At the date of this report, save as disclosed above and in the Announcement, the Company is not aware of the current status of the ICAC Investigation, and hence cannot comment on any possible impact on the Group's operations and financial position.

BAKER TILLY HONG KONG LIMITED

Certified Public Accountants

Hong Kong, 24 April 2007

Andrew David Ross

Practising Certificate number P01183