

Independent Auditor's Report



CCIF

CCIF CPA LIMITED

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EVER FORTUNE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Ever Fortune International Holdings Limited (the "company") set out on pages 27 to 78, 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 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.

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, in accordance with section 90 of the Bermuda 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 the report.

Except for the limitations in the scope of our work as explained below, 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. However, because of the matters 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.

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BASIS FOR DISCLAIMER OF OPINION

1. Scope limitation – Prior year's audit scope limitation affecting opening balances and comparative figures

As shown in the previous auditors' report, we disclaimed our opinion on the Group's financial statements for the year ended 31 December 2005 because of the significance of the possible effects of the limitation in evidence available to us in respect of certain matters set out therein. Any adjustment found to be necessary to the opening net assets of the Group would have a consequential effect on its results for the year ended 31 December 2006. In respect of the limitation on our work in the prior year described above, we were unable to express our opinion on the fairness of the balances brought forward as at 1 January 2006 and the comparative figures included in these financial statements.

2. Scope limitation – Liabilities in respect of corporate guarantees

As explained in note 23(b)(i) and (ii) to the financial statements, one of the PRC subsidiaries of the Group had provided certain corporate guarantees to its former related company in prior years. However, the current directors were unable to confirm as to the completeness of the corporate guarantee entered into by the PRC subsidiary before they had been appointed as board of directors of the Company, accordingly, they are also unable to confirm the completeness of recorded liabilities and disclosure of contingent liabilities. Therefore, we were unable to satisfy ourselves on the completeness of contingent liabilities disclosed as at 31 December 2006 nor had obtained adequate information to assess the completeness of liabilities of the Group in providing the corporate guarantees. Consequently, we were unable to determine whether the contingent liabilities and any adjustment thereof had been properly disclosed and provided for in the financial statements.

We were unable to carry out alternative audit procedures to satisfy ourselves as to the matters set out in paragraphs 1 to 2 above.

Any adjustment that might have been found to be necessary in respect of the matters set out above would have a consequential effect on the financial positions of the Group and the Company as at 31 December 2006, the net loss and cash flows of the Group for the year then ended and the related disclosures in the financial statements.

QUALIFICATION ARISING FROM MATERIAL UNCERTAINTIES RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosure made in note 2(b) to the financial statements which describes the liquidity issues and financial difficulties experienced by the Group and the measures undertaken by the Group to ensure that adequate cash resources are available to the Group. Specifically, the Group is dependent upon the continuing financial support of its substantial shareholder. As explained in note 23(b)(i) and (ii) to the financial statements, a PRC subsidiary of the Group was claimed by two banks on repayment of guarantee provided of RMB100,536,000 (equivalent HK\$98,314,000). One of the banks had applied to the court in Henan, Mainland China, to freeze the assets of the PRC subsidiary of the Group. The Company continues to look into the matter and seek legal advice as to the appropriate course of action to be taken in relation to the litigation and arbitration. On the assumption that the litigation and arbitration become successful and there are successful outcome of other measures undertaken as described in note 2(b) to the financial statements, the directors consider that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future.



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The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the continuing financial support from its substantial shareholder and successful outcome of the measures undertaken as described in note 2(b) to the financial statements to ensure that adequate cash resources are available to meet the Group's future working capital and financial requirements. The financial statements do not include any adjustments that may be necessary should the implementation of the above measures be unsuccessful. We consider that appropriate disclosures have been made. However, in view of the extent of the material uncertainties relating to the measures mentioned above that may cast significant doubt on the Group's ability to continue as a going concern, we have disclaimed our opinion. The financial statements do not include any adjustments that would be necessary if the various measures as described above fail to take place. Any adjustment to the financial statements may have a consequential significant effect on the loss for the year and net liabilities as at 31 December 2006.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY FINANCIAL STATEMENTS

Because of the significance of the possible effects of the scope limitations in relation to (i) prior year's audit scope limitation and (ii) liabilities in respect of corporate guarantees provided by the PRC subsidiary in prior years described in the basis for disclaimer of opinion section and the material uncertainties relating to the going concern basis as set out above, we do not express an opinion on the 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 loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited

Certified Public Accountants

Hong Kong, 20 April 2007

Chan Wai Dune, Charles

Practising Certificate Number P00712