

Independent Auditor's Report

**CCIF****CCIF CPA LIMITED**20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

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

(Incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Fortuna International Holdings Limited (the "Company") set out on pages 24 to 89, 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 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 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the limitation 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 section, 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. Prior year's audit scope limitation affecting opening balances

As detailed in the former auditors' report dated 21 April 2006 on the Group's financial statements for the year ended 31 December 2005 and as mentioned in note 9 (b) to the financial statements, because of the significance of the possible effects arising from limitation in evidence made available to the former auditors, specifically, the former auditors were unable to obtain sufficient and appropriate evidence to satisfy themselves as to whether the financial statements of a major subsidiary, Jafoon Limited (incorporated in Hong Kong) and its two wholly-owned subsidiaries (collectively the "Jafoon Group") were fairly stated and free from material misstatement. The directors of the Company had considered that the Company had lost its ability to exercise effective control over the Jafoon Group and consequently the financial statements of the Jafoon Group were deconsolidated. Any adjustments found to be necessary in respect thereof had we obtained sufficient and appropriate evidence would have had a consequential effect on the net assets of the Group as at 31 December 2006, and of its net loss for the current year and the prior year and the related disclosures thereof in the financial statements. In respect of the limitation of scope in prior year in the areas as described above, we are unable to express our opinion as to whether the balances brought forward as at 1 January 2006 and the comparative figures were fairly stated in the financial statements.

2. Scope limitation – deconsolidation of Excel Harvest Corporation Limited and its subsidiaries (the "Excel Harvest Group") and Silver Dragons Limited and its subsidiaries (the "Silver Dragons Group")

As explained in note 9 (a) to the financial statements, the directors of the Company had no direct access to the books and records of its subsidiaries namely Excel Harvest Group and Silver Dragons Group (collectively "Both Groups") after the directors informed the management of Both Groups that the Company intended to realise the investments in Both Groups, the management of Both Groups declined to cooperate with the Company and had not submitted any financial information to the Company. Both Groups were subsequently disposed of, the disposal of which was completed on 16 April 2007. The details in connection with the disposal were outlined in the circular dated 26 March 2007 of the Company. As the Company no longer had control over Both Groups subsequent to the disposal, the financial statements of Both Groups have been deconsolidated from the Group from 1 January 2006 to 31 December 2006. A net gain of HK\$11,716,000 arising from the deconsolidation of Both Groups was recognised in the consolidation income statement as a result of extracting all the losses and net liabilities of Both Groups previously recorded in the consolidated financial statements.

We were unable to obtain sufficient audit evidence or perform alternative audit procedures to satisfy ourselves as to the timing, accuracy and completeness of the deconsolidation and to quantify the effect of the deconsolidation as at 1 January 2006 and the gain arising from the deconsolidation of HK\$11,716,000. Any adjustments found to be necessary to the above amounts would affect the amounts recorded in the consolidation balance sheet, consolidated income statement and consolidated cash flow statement and related disclosures thereof in the financial statements.

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3. **Scope limitation – carrying amount of Daiwah Company Limited and its subsidiaries (the “Daiwah Group”)**

As at 31 December 2006, included in the consolidated balance sheet of the Group is the net liabilities of Daiwah Group of HK\$5,638,000. The loss of Daiwah Group as recorded in the consolidated income statement for the year ended 31 December 2006 amounted to HK\$1,950,000. Subsequent to the resignation of the directors of Daiwah Group in May 2006, the Company had not appointed anyone to be directors of Daiwah Group which also became dormant during the year. Consequently, we were unable to obtain sufficient and appropriate audit evidence or perform alternative audit procedures on the financial statements of the Daiwah Group for the year ended 31 December 2006. As a result, we were unable to satisfy ourselves as to whether the net liabilities of HK\$5,638,000 and the loss for the year then ended of HK\$1,950,000 included in the consolidated balance sheet and consolidated income statement, respectively were fairly stated. Any adjustments found to be necessary on the above amounts would affect the amounts recorded in the consolidation balance sheet and consolidated income statement, consolidated cash flow statement and the related disclosures thereof in the financial statements.

With reference to the matters set out in the basis for disclaimer of opinion, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Any adjustment to the figure may have a consequential significant effect on the profit for the year and the net assets 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 evidence made available to us in each of the areas as set out in paragraphs (1) to (3) in the basis for disclaimer of opinion section, we do not express an opinion on the consolidation 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 profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, 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, 19 April 2007

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Practising Certificate Number P03207