

**AUDITORS' REPORT
TO THE SHAREHOLDERS OF
NAM FONG INTERNATIONAL HOLDINGS LIMITED**
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 31 to 95 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.

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 Bermuda Companies Act, 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 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.

**核數師報告
致南方國際控股有限公司**
(於百慕達註冊成立之有限公司)
全體股東

本核數師已完成審核第31至95頁之財務報表，該等財務報表乃按照香港普遍採納之會計原則編製。

董事及核數師各自之責任

貴公司董事須編製真實兼公平之財務報表。在編製該等真實兼公平之財務報表時，董事必須採用適當之會計政策，並且貫徹應用該等會計政策。

本核數師之責任是根據審核之結果，對該等財務報表作出獨立意見，並根據百慕達公司法第90條之規定，僅向整體股東報告，除此之外，本報告別無其他目的。本核數師不會就本報告的內容向任何其他人士負上或承擔任何責任。

意見之基礎

除如下文所述本核數師之工作範圍受到限制外，本核數師已按照香港會計師公會所頒佈之香港核數準則進行審核工作。

審核範圍包括以抽查方式查核與財務報表所載數額及披露事項有關之憑證，亦包括評審董事於編製財務報表時所作之重大估計和判斷，所採用之會計政策是否適合 貴公司與 貴集團之具體情況，及有否貫徹應用並充分披露該等會計政策。

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 because we were unable to obtain sufficient supporting documents in order to substantiate the write-back of over-provision for taxation of HK\$383,012,000 in the consolidated income statement for the year ended 31 December 2005. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to whether this amount is properly reflected in the financial statements.

Any adjustments that might have been found to be necessary would have a consequential effect on the net assets of the Group as at 31 December 2005 and the profit and cash flows of the Group for the year then ended.

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.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures in note 2 to the financial statements concerning the basis of their preparation by the directors. As explained in note 2 to the financial statements, at 31 December 2005, the Group had net current liabilities of approximately HK\$414,735,000. In addition, the Group had overdue short term borrowings together with relevant interest of HK\$13,880,000.

本核數師在策劃及進行審核工作時，均以取得所有本核數師認為必需之資料及解釋為目標，以便獲得充分憑證，就該等財務報表是否存有重大錯誤陳述，作出合理之確定。然而，本核數師獲提供之資料有限，原因為本核數師未能獲取充分支持文件，以證實截至二零零五年十二月三十一日之綜合收益表內383,012,000港元之稅項準備回撥。此外，概無本核數師可採納之其他審核程序使本核數師滿意該金額是否於財務報表適當反映。

任何被認為必須作出之調整將影響 貴集團於二零零五年十二月三十一日之資產淨值，以及 貴集團截至該日止年度之營利及現金流量。

在作出意見時，本核數師亦已評估該等財務報表所載之資料在整體上是否充分。本核數師相信本核數師之審核工作已為本核數師之意見提供合理之基礎。

有關持續經營基準之基本不明朗因素

在作出意見時，本核數師已考慮有關董事編製基準於財務報表附註2之披露資料之充裕程度。誠如財務報表附註2所述，於二零零五年十二月三十一日， 貴集團之流動負債淨額約為414,735,000港元。此外， 貴集團之逾期短期貸款加上有關利息合共13,880,000港元。

The financial statements have been prepared on a going concern basis, the validity of which depends upon sufficient future funding being available. The financial statements do not include any adjustments that would result from the failure of the Group to obtain such funding.

We consider that appropriate disclosures have been made. However, in view of the extent of the uncertainty relating to the future funding of the Group, we disclaim our opinion in respect of the fundamental uncertainty relating to the going concern basis.

DISCLAIMER OF OPINION

Because of the significance of the possible effect of the limitation in evidence available to us and because of the fundamental uncertainty relating to the going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 or of the profit and cash flows of the Group for the year then ended. 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, 26 August 2006

Chan Wai Dune, Charles

Practising Certificate Number P00712

上述財務報表乃按持續經營基準進行編製，其有效性取決於是否可於未來提供足夠資金。上述財務報表並不包括可能由於貴集團未能獲取有關資金所產生之任何調整。

本核數師認為已進行適當之披露。然而，鑑於受到有關貴集團未來資金之不明朗因素所限，本核數師概不就有關持續經營基準之基本不明朗因素之意見承擔任何責任。

拒絕作出意見

鑑於本核數師獲提供之憑證之限制可能產生影響之重要性，以及鑑於有關持續經營基準之基本不明朗因素，本核數師未能就上述財務報表是否真實兼公平地顯示貴公司與貴集團於二零零五年十二月三十一日結算時之財務狀況，及貴集團截至該日止年度之營利及現金流量作出意見。本核數師認為，上述財務報表已按照香港《公司條例》之披露要求妥為編製。

陳葉馮會計師事務所有限公司

執業會計師

香港，二零零六年八月二十六日

陳維端

執業證書編號P00712