

Auditors' Report



SHINEWING (HK) CPA Limited
Suites 09-18, 20/F.
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

TO THE MEMBERS OF

Beauforte Investors Corporation Limited

(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Beauforte Investors Corporation Limited (the “Company”) and its subsidiaries (the “Group”) from pages 35 to 82 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare 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 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content 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 judgments made by the directors in the preparation of financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

Auditors' Report (Continued)

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 set out below:

1. Available-for-sale investments

As disclosed in note 16 to the financial statements, the Group had an investment in equity shares of an unlisted company, namely Hennanbun Management International Limited (formerly known as Hennabun Management Inc.) ("HMI") with nil carrying value as at 31st December 2005 after impairment loss recognised of approximately HK\$59.0 million (2004: HK\$27.3 million) which were made by the directors of the Company. We were unable to obtain sufficient reliable financial information to satisfy ourselves that the investments have been fairly stated at 31st December 2005, or as to the appropriateness of this impairment loss on the investments of approximately HK\$31.7 million included in the consolidated income statement for the year ended 31st December 2005.

The preceding auditors' report in respect of the year ended 31st December 2004 was also qualified on account of a similar scope limitation in respect of appropriateness of the impairment loss of HK\$27.3 million made for 2004.

2. Interests in associates

As disclosed in note 17 to the financial statements, the Group's interests in associates in the consolidated balance sheet as at 31st December 2005 has nil carrying values after impairment losses recognised of approximately HK\$138.0 million (2004: HK\$138.0 million) which were made by the directors of the Company. We were unable to obtain sufficient reliable financial information to satisfy ourselves that the interests in associates have been fairly stated at 31st December 2005.

The preceding auditors' report in respect of the year ended 31st December 2004 was also qualified on account of a similar scope limitation in respect of appropriateness of this impairment loss.

3. Deposits paid for acquisition of a subsidiary

As disclosed in note 20 to the financial statements, the Group had entered into an agreement with the counterparty to cancel the acquisition of a subsidiary and the counterparty was required to return the deposits to the Group within the fifteen days from the date of the agreement. We were unable to obtain sufficient and reliable documentary evidence to satisfy ourselves as to assess whether any impairment loss is required to be recognised in respect of the deposit.

Auditors' Report (Continued)

4. Deposits in an assets management company

As disclosed in note 21 to the financial statements, the Group had placed a deposit of approximately HK\$32.6 million into an assets management company (the "Manager") which had been overdue. We were unable to obtain evidence to satisfy ourselves to the ability and commitment of the Manager to provide the required services. Furthermore, we were unable to obtain sufficient documentary evidence to satisfy ourselves as to the ownership and to assess whether any loss is required to be recognised in respect of this deposit.

5. Provision for loss on a guarantee agreement

As disclosed in note 25 to the financial statements, the Group entered into a guarantee agreement whereby the Group pledged the Group's investment property with carrying value of approximately HK\$35.0 million at the balance sheet date to secure a short-term bank loan granted to a third party. According to the directors' representation, the borrower had defaulted paying the loan on the due date and the Group was being demanded for repayment for the principal and the interest thereon for the borrower. A provision for loss of approximately HK\$22.9 million was made by the directors of the Company. We were unable to obtain sufficient documentary evidence to satisfy ourselves as to the appropriateness of the provision made.

6. Impairment loss on goodwill

As disclosed in note 31 to the financial statements, the subsidiary of the Group, Grand Noble Group Limited ("Grand Noble") was once disposed of in 2004. However, due to the default of the purchaser, the ownership of Grand Noble was resumed during the year. The directors was conducting an investigation on whether there was any unrecorded liabilities or losses incurred during the period when the control of Grand Noble was passed. Up to the date of approval of these financial statements, the investigation had not been completed. During the year ended 31st December 2005, an impairment loss of approximately HK\$7.9 million was fully recognised for the goodwill arising from the resumption of ownership of Grand Noble. Given this background, we were unable to obtain sufficient reliable evidence to satisfy ourselves as to the accuracy and appropriateness of the impairment loss made on the goodwill included in the consolidated income statement for the year ended 31st December 2005. Furthermore, we were unable to quantify the impact to the net assets of the Group as at 31st December 2005 and the loss for the year then ended.

Auditors' Report (Continued)

7. The Group's available-for-sale investments, interests in associates, deposits paid for acquisition of a subsidiary, deposits in an assets management company, guarantee agreement and the investment in Grand Noble were held by certain subsidiaries of the Company at 31st December 2005. Because of the matters referred to in 1 to 6 above, we were unable to obtain sufficient evidence to satisfy ourselves as to the appropriateness of the impairment losses of HK\$17.1 million charged to the Company's income statement for the year ended 31st December 2005 in respect of the Company's interests in subsidiaries. Accordingly, we were unable to satisfy ourselves as to whether the Company's interests in subsidiaries were free from material misstatement as at 31st December 2005.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in 1 to 7 above. Any adjustment found to be necessary would affect the net assets of the Group as at 31st December 2005 and the loss 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.

Disclaimer of opinion

Because of the significance of the possible effect of the limitations in evidence available to us, 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 the Group as at 31st December 2005 and of the loss 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 Companies Ordinance.

In respect alone of the limitations on our work as set out in 1 to 7 above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

ShineWing (HK) CPA Limited

Certified Public Accountants

Tam Kwok Ming, Banny

Practising Certificate Number: P03289

Hong Kong

27th April 2006