Auditors' Report

Deloitte.
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TO THE SHAREHOLDERS OF
BEAUFORTE INVESTORS CORPORATION LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 15 to 48 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companices Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statments 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 contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Insitute 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 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.

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.

(i) Included in the consolidated balance sheet as at 31 December 2004 are investments in securities of HK$31.7 million in respect of which an impairment loss of HK$27.3 million has been charged to the consolidated income statement during the year. We were unable to obtain sufficient reliable financial information so as to assess the appropriateness of this impairment loss.

(ii) Included in the consolidated balance sheet as at 31 December 2004 are interests in associates of nil value in respect of which impairment losses of HK$179.3 million have been made in full against the Group's share of net assets of HK$138.0 million and the unamortised balance of the goodwill of HK$41.3 million. However, we were unable to obtain sufficient information and explanations so as to assess the appropriateness of these impairment losses charged to the consolidated income statement during the year. Accordingly, we were unable to satisfy ourselves as to whether the Group's interests in associates were free from material misstatement as at 31 December 2004.

(iii) Included in the consolidated balance sheet as at 31 December 2004 is note receivable of HK$258.0 million in relation to the disposal of a subsidiary, Grand Noble Group Limited. On 12 March 2005, the purchaser defaulted on the second instalment of HK$8.0 million as a result of liquidity difficulties. However, as explained in note 15 to the financial statements, the directors of the Company remain confident that the entire amount of HK$258.0 million will be recovered in full. However, we were unable to obtain evidence to satisfy ourselves to the ability and commitment of the purchaser to settle the amount due. Furthermore, although in the event that the purchaser fails to perform, the Group is entitled to exercise its rights in accordance with the share charge agreement to resume ownership of Grand Noble Group Limited, we were unable to obtain evidence as to the current value of Grand Noble Group Limited. Accordingly, we were unable to satisfy ourselves that the note receivable was free from material misstatement as at 31 December 2004.

(iv) The Group's investments in securities, note receivable and interests in associates were held by certain subsidiaries of the Company at 31 December 2004. Because of the matters referred to in (i) to (iii) above, we were unable to assess whether the impairment losses of HK$206.6 million charged to the Company's income statement for the year ended 31 December 2004 in respect of the Company's interests in subsidiaries are appropriate. Accordingly, we were unable to satisfy ourselves as to whether the Company's interests in subsidiaries were free from material misstatement as at 31 December 2004.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in (i) to (iv) above. Any adjustments found to be necessary would affect the net assets of the Group at 31 December 2004 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 limitation 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 the affairs of the Company and the Group as at 31 December 2004 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 limitation on our work relating to investments in securities, note receivable and interests in associates, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 27 April 2005