



## Independent Auditor's Report



SHINEWING (HK) CPA Limited  
16/F., United Centre  
95 Queensway, Hong Kong

### TO THE SHAREHOLDERS OF BEAUFORTE INVESTORS CORPORATION LIMITED

*(incorporated in the Hong Kong with limited liability)*

We have audited the financial statements of Beauforte Investors Corporation Limited (the "Company") and its subsidiaries (collectively referred as the "Group") from pages 27 to 65, which comprise the consolidated and Company balance sheets as at 31 December 2006, 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 Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the 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 and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong 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. Except as described in the basis for qualified opinion paragraphs, 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### BASIS FOR QUALIFIED OPINION

#### 1. Available-for-sale investment

As disclosed in note 17 to the financial statements, the Group had an investment in equity shares of an unlisted company, namely Hennabun Management International Limited (formerly known as Hennabun Management Inc.) ("HMI") with nil carrying value as at 31 December 2006 after an impairment loss of approximately HK\$59.0 million (2005: HK\$59.0 million) which was made by the directors of the Company. We were unable to satisfy ourselves as to the reliability of the financial information on which the impairment loss was based and there were no practical alternative audit procedures that we could perform to satisfy ourselves that the investment has been fairly stated at 31 December 2006.

## Independent Auditor's Report

- The Group's available-for-sale investment was held by a wholly-owned subsidiary of the Company at 31 December 2006. Because of the matters stated above, we were unable to assess whether the impairment losses of approximately HK\$320.2 million charged to the Company's income statement for the year ended 31 December 2006 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 2006.

There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the matters set out in 1 to 2 above. Accordingly, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the available-for-sale investment and the Company's interests in subsidiaries were free from material misstatements. Any adjustment found to be necessary would affect the net assets of the Group and the Company as at 31 December 2006 and the Group's loss for the year then ended.

### **QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters set out in the basis for qualified opinion paragraphs, the financial statements give a true and fair view of the state of the affairs of the Group and the Company as at 31 December 2006 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

### **REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE**

In respect alone of the limitations on our work as set out in the basis for qualified opinion paragraphs, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

### **EMPHASIS OF MATTER**

The Group recorded consolidated net current liabilities of approximately HK\$2.1 million and capital deficiency of approximately HK\$2.0 million at the balance sheet date and have no operating activities as at the balance sheet date and up to the report date. Without qualifying our opinion, we draw attention to note 2 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on a going concern basis, the validity of which depends on the future funding being available and the ability of the Group to meet its financial obligations as they fall due, and do not include any adjustments that would result from a failure to obtain funding and the disability to meet the financial obligations. We consider that appropriate disclosures have been made in the financial statements and our opinion is not qualified in this respect.

#### **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Tam Kwok Ming, Banny**

Practising Certificate Number: P03289

6 June 2007

Hong Kong