Beauforte Investors Corporation Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0021)

2006

interim report

INTERIM RESULTS

The Board of Directors (the "Board") of Beauforte Investors Corporation Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group"), for the six months ended 30 June 2006 together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006

		Six months ended 30 June	
	NOTES	**2006**	2005
		(Unaudited)	(Unaudited)
		HK$ million	*HK$ million*
Turnover	2	**126.0**	4.8
Cost of listed securities		**(126.4)**	0.0
Gross profit/(loss)		**(0.4)**	4.8
Other operating income		**0.0**	0.5
Taxes and levies on leasing properties		**(0.0)**	(0.2)
Administrative expenses		**(3.9)**	(2.8)
Finance cost		**(0.1)**	(0.0)
Impairment loss recognized on loss of investment property	7	**(237.0)**	(0.0)
Provision for loss on investment property	7	**(12.1)**	(0.0)
Impairment loss on other receivable		**(8.0)**	(0.0)
Impairment loss of available-for-sale financial assets		**(0.0)**	(26.3)
Loss before taxation	3	**(261.5)**	(24.0)
Taxation	4	**0.0**	(0.1)
Net loss for the period		**(261.5)**	(24.1)
Loss per share (in dollar)	6	**(0.744)**	(0.082)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006

	NOTES	**30 June 2006 (Unaudited)** *HK$ million*	31 December 2005 (Audited) *HK$ million*
Non-current assets			
Plant and equipment		**0.7**	0.9
Investment properties	7	**0.0**	272.0
Available-for-sale financial assets	8	**12.0**	12.0
		12.7	284.9
Current assets			
Listed securities		**0.0**	12.2
Other receivables and deposits	9	**2.4**	10.4
Deposit in an asset management company	9	**32.6**	32.6
Deposit paid for acquisition of a subsidiary	10	**13.8**	13.8
Cash and cash equivalents		**3.5**	6.0
		52.3	75.0
Current liabilities			
Other payables and accrued charges		**(1.7)**	(2.0)
Derivative financial instrument		**(0.0)**	(0.1)
Provision for loss on a guarantee agreement	7	**(0.0)**	(22.9)
Cash and cash equivalents		**(0.0)**	(10.1)
		(1.7)	(35.1)
Net current assets		**50.6**	39.9
Non-current liability			
Deferred tax liability		**(0.0)**	(0.0)
Net assets		**63.3**	324.8
Capital and reserves			
Share capital	11	**140.5**	140.5
Share premium		**38.0**	38.0
Retained earnings		**146.3**	225.0
Loss for the period/year		**(261.5)**	(78.7)
Shareholders' funds		**63.3**	324.8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Share Capital *HK$ million*	Share Premium *HK$ million*	Accumulated profit/(loss) *HK$ million*	Total *HK$ million*
At 1 January 2005	117.1	39.3	225.0	381.4
Issue of new shares	23.4	(1.3)	—	22.1
Net loss for the period	—	—	(24.1)	(24.1)
At 30 June 2005	140.5	38.0	200.9	379.4
At 1 January 2006	140.5	38.0	146.3	324.8
Net loss for the period	—	—	(261.5)	(261.5)
At 30 June 2006	140.5	38.0	(115.2)	63.3

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$ million	*HK$ million*
Net cash from/(used in) operating activities	**7.7**	(0.3)
Net cash from/(used in) investing activities	**—**	(5.0)
Net cash from/(used in) financing activities	**(0.1)**	22.1
Net increase/(decrease) in cash and cash equivalents	**7.6**	16.8
Cash and cash equivalents at the beginning of the period	**(4.1)**	4.8
Cash and cash equivalents at the end of the period	**3.5**	21.6
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**3.5**	21.6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the requirements of the Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Main Board), including compliance with the Hong Kong Accounting Stardard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005, except for the adoption of the following amendments mandatory for accounting periods beginning on or after 1 January 2006:

- HKAS 39 & HKFRS 4 Amendment "Financial Guarantee Contracts"

  The amendment amended the scope of HKAS 39 to include financial guarantee contracts issued. These contracts are recognized initially at fair value and generally re-measured at the higher of the amount determined in accordance with HKAS 37 and the amount initially recognized less cumulative amortization.

The adoption of the amendments had no material impact on the unaudited condensed consolidated interim financial statements as prepared and presented.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

2. PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Group are investment holding, security investment and property investments.

For management purposes, the Group is currently organised into three operation divisions – (i) treasury and investment (ii) property and (iii) securities trading. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's turnover and results by business segments are as follows:

Six months ended 30 June 2005

	Treasury and Investment *HK$ million*	Property *HK$ million*	Securities trading *HK$ million*	Total *HK$ million*
TURNOVER				
Interest income	3.5	0	0	3.5
Rental income	0	1.3	0	1.3
Total turnover	3.5	1.3	0	4.8
RESULTS				
Segment results	(22.8)	1.1	0	(21.7)
Other operating income				0.5
Unallocated expenses				(2.8)
Loss before taxation				(24.0)

Six months ended 30 June 2006

	Treasury and Investment ***HK$ million***	**Property** ***HK$ million***	**Securities trading** ***HK$ million***	**Total** ***HK$ million***
TURNOVER				
Trading of security and index	**0**	**0**	**126.0**	**126.0**
Total turnover	**—**	**—**	**126.0**	**126.0**
RESULTS				
Segment results	**0**	**0**	**(0.4)**	**(0.4)**
Unallocated expenses	**0**	**0**	**0**	**(3.9)**
Finance cost	**0**	**0**	**(0.1)**	**(0.1)**
Bad debt written off	**0**	**0**	**0**	**(8.0)**
Impairment losses recognized in respect of losses on investment property	**0**	**(237.0)**	**0**	**(237.0)**
Provision for loss on investment property	**0**	**(12.1)**	**0**	**(12.1)**
Loss before taxation				**(261.5)**

3. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$ million	*HK$ million*
Loss before taxation has been arrived at after charging/(crediting):		
Depreciation of plant and equipment	**0.2**	0.2
Rental income less outgoing	**(0)**	(1.1)
Interest income	**(0)**	(3.5)
Impairment loss recognised on loss of investment property	**237.0**	0
Provision for loss on investment property	**12.1**	0
Impairment loss on other receivable	**8.0**	0

4. TAXATION

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$ million	*HK$ million*
The charge comprises:		
Hong Kong Profits Tax	**0**	—
PRC Foreign Enterprise Income Tax	**0**	(0.1)
	0	(0.1)

Provision for Hong Kong Profits Tax has not been made for both periods as the Group's income neither arises in, nor is derived from Hong Kong.

PRC Foreign Enterprise Income Tax is calculated at the rates prevailing in the respective jurisdictions.

5. INTERIM DIVIDEND

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend for the period. (2005: NIL).

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK$261.5 million (2005: HK$24.1 million) and the weighted average number of 351,384,000 (2005: 295,084,906) ordinary shares in issue.

There were no dilutive potential ordinary shares in existence during the period and the corresponding period in last year, and accordingly, no diluted loss per share figures are presented.

7. INVESTMENT PROPERTIES

The Group Valuation at 31 December 2005	31 December 2005 (Audited) *HK$ million*
Shanghai Property (a)	35.0
Jinan Shandong Property (b)	237.0
	272.0

		30 June 2006 **(Unaudited)** ***HK$ million***
(a)	Shanghai Property	
	Valuation at 31 December 2005 (audited)	**35.0**
	Provision for loss provided in 2005 in respect of the guarantee agreement	**(22.9)**
	Provision for loss in value	**(12.1)**
	As at 30 June 2006	**0.0**
(b)	Jinan Shandong Property	
	Valuation at 31 December 2005 (audited)	**237.0**
	Provision for loss in value	**(237.0)**
	As at 30 June 2006	**0.0**
Total as at 30 June 2006		**0.0**

a) Investment property located in Shanghai, the PRC

In March 2004, the Group entered into a guarantee agreement to pledge the Group's investment property located in Shanghai to a bank to secure a short-term bank loan of RMB24.0 million (equivalents approximately to HK$22.9 million) granted to a third party (the "Borrower"). Pursuant to the agreement, the Group would receive an income of 8% per annum on the loan amount from this third party. The income is secured by a corporate guarantee from another third party, but no income was received for the current period.

In the year 2005, The Group was informed by the bank that the Borrower had failed to repay the loan on the due date. Accordingly, the Group was liable for repaying of the principal and interest of the loan for the Borrower. And the bank would execute the guarantee agreement by disposing the said property through public auction. As at 31 December 2005, the property was sequestrated. As a prudent measure, a provision for the loss of HK$22.9 million was made in the year 2005 consolidated financial statements. In the half year ended June 2006, a further provision of HK$12.1 million was made to provide for the full amount of loss in value of the property, as the Company was aware that there was another PRC court order made against the property for an amount yet to be verified.

b) *Investment property located in Jinan, Shandong, the PRC*

The property was disposed through the disposal of a subsidiary in 2004. However, the purchaser of that subsidiary was defaulted paying of the consideration. Accordingly, the Company enforced the share charge in July 2005 and resumed the ownship of the subsidiary and the property. The property was revaluated by B.I. Appraisals Limited at 31 December 2005 at HK$237.0 million. However, the property was awarded to a PRC company by a court order on 11 July 2006. Details can be found in Company's annoucement made on 31 July 2006.

The Company is now taking further legal advice for both of the above cases.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2006 (Unaudited)	31 December 2005 (Audited)
	HK$ million	*HK$ million*
Unlisted shares overseas		
Hennabun Management International Limited (Formerly known as Hennabun Management Inc.) ("HMI")		
At cost	**59.0**	59.0
Impairment losses recognized	**(59.0)**	(59.0)
	0.0	0.0
Unlisted shares in PRC		
Heze Century Energy Coalchem Industry Co. Limited ("Heze")		
At cost	**12.0**	12.0
	12.0	12.0

The above investments represent unlisted equity securities issued by private companies. They are measured at cost less impairment at each balance sheet date because first the directors have so far had insufficient time to arrive at a definite valuation, and secondly no adverse developments have come to directors' attention since the 2005 audited accounts.

Notes:

a) HMI was incorporated in British Virgin Islands with limited liabilities. It was engaged in securities trading, investment holding and provision of brokerage and financial services. At 31 December 2005, the Group owned 5.15% interest in HMI. At 30 June 2006, the Group held 3.67% interest in HMI due to dilution by new shares issued by HMI.

   At the balance sheet date of 31 December 2005, the directors of the Company conducted a review of the above investments and decided that full impairment loss be recognised on this investment as a prudent measure.

b) The Group owned 11.2% (2005: 11.2%) interests in Heze. Heze was incorporated in the PRC with limited liability. To the best knowledge of the directors, Heze had not yet commenced business.

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

On 1 July 2004, the Group placed a deposit of HK$34.3 million into an assets management company (the "Manager") which was a limited company incorporated in the PRC. The Manager was engaged in investment advisory, asset management and other related business. The deposit was contracted for the period from 1 July 2004 to 1 July 2005. As at 31 December 2005, the outstanding balance of the deposit was HK$32.6 million and has been overdue. The previous director of the Company, Mr. Li Zhaohui who was appointed as director of the Company on 19 October 2004 has beneficial interest in the Manager. Mr. Li Zhaohui was removed as director of the Company on 12 June 2006.

During the period, no income had been received (2005: HK$3.5 million) from the Manager.

During the period, the Group has written off an untraceable other recceivable in the amount of HK$8.0 million.

10. DEPOSITS PAID FOR THE ACQUISITION OF A SUBSIDIARY

In April 2005, the Group entered into an agreement to acquire 80% interest in Daoqin Hospital Management Company Ltd.

According to the terms of the agreement, if the Acquisition was not completed in December 2005, the Acquisition would be cancelled and the Group would entitle to recover the payment made. As at 31 December 2005, the Acquisition has not been completed. On 27 April 2006, the Group entered into another agreement to cancel the Acquisition. The cancellation agreement required the vendor to refund the HK$13.8 million partial payment to the Group within 15 days from the date of agreement. As at the date of this report, the Group had not yet received the refund and the Group had appointed lawyers and other professionals to assist the recovery of the said amount.

11. SHARE CAPITAL

	30 June 2006		31 December 2005	
	Number of shares (Unaudited) *million*	**Nominal value (Unaudited)** *HK$ million*	Number of shares (Audited) *million*	Nominal value (Audited) *HK$ million*
Authorised:				
Ordinary shares of HK$0.40 each	**1,000.0**	**400.0**	1,000.0	400.0
Issued and fully paid:				
Ordinary shares of HK$0.40 each	**351.4**	**140.5**	351.4	140.5

12. OPERATING LEASE COMMITMENT

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	30 June 2006 (Unaudited) *HK$ million*	31 December 2005 (Audited) *HK$ million*
Within 1 year	**0**	0.9

Operating lease payments represent rentals payable by the Group for its office premises. Lease is negotiated for a term of three years and rentals are fixed for three years.

13. PLEDGE OF ASSETS AND CONTINGENT LIABILITY

The Group's investment property was pledged to a bank to secure a short-term bank loan of RMB24.0 million granted to a third party in return of an income of 8% per annum on the loan from this third party. The income is secured by a corporate guarantee from another third party. As at 30 June 2006, the said bank loan was overdue. During the period ended 30 June 2006, no income (2005: HK$0.5 million) was received.

14. POST BALANCE SHEET EVENT

Investment property located in Jinan, Shandong, the PRC

As explained in note 7, the property located in Jinan, Shandong was awarded to a PRC company by a court order on 11 July 2006. The Company has appointed lawyers to deal with the case.

MANAGEMENT DISCUSSION & ANALYSIS

The current Board of Directors were appointed in June 2006. Since their joining of the Company, they have started reviewing the business operations and status of the investments of the Group.

BUSINESS AND FINANCIAL REVIEW

Property Leasing Business

The Jinan Property

The main asset of the Group, an investment property, situated at Jinan city of the People's Republic of China ("the PRC") was awarded to a PRC company by a PRC court order on 11 July 2006, in order to satisfy an alleged debt which represented approxiamately 73% of the audited consolidated assets of the Group as at 31 December 2005. Accordingly, no rental income was generated in the period under review. The Company made a provision of HK$237 million to write off the value to reflect the issue.

The Company is taking legal actions to seek for any possible remedy.

The Shanghai Property

The directors found out that in addition to the claim made by the court as stated in note 7 to the financial statements, a further claim with unknown amount was attached to the property through a PRC court in Shandong. The Company is taking procedures to clarify the claims through the lawyers. As a prudent measure, a further provision of HK$12.1 million is made to write off the remaining value of the Shanghai property during the period.

Due to the above reasons, there was no property income generated for the period concerned.

Paper Business

Both of the operations of the Group's associated companies, were still suspended due to lack of working capital.

Securities Trading Business

The Group had undertaken trading of listed shares and related products in Hong Kong, and had incurred a loss of approximately HK$0.4 million.

Treasury and Investment Business

The directors will collaborate with professional advisors and take positive steps to assess and recover the investments of HK$12 million made in the Heze Century Energy Coalchem Industrial Co. Ltd., and the deposit of HK$32.6 million placed with an asset management company in the PRC.

Furthermore, the Group had appointed lawyers to take action to recover the HK$13.8 million payment which was made to acquire the Daoqin Hospital Management Company Ltd., the acquisition agreement for which had been cancelled on 27 April 2006.

EMPLOYEES

As at 30 June 2006, the Group employed 3 employees and the related staff cost amounted to HK$0.5 million. Staff remuneration package are reviewed annually. The Group does not maintain a share option scheme.

BUSINESS OUTLOOK

The Group is principally engaged in property investment, treasury and investment businesses, securities trading, paper manufacturing and energy related business.

The Group intends to diversify into various other businesses to complement its current operations. It will continue to identify suitable investment opportunities for possible acquisitions, including those in property development, property management, real estate agency, industrial manufacturing, trading, oil and gas related businesses, utility projects, telecommunications, IT and internet related projects.

The management will actively look into various fund raising options to facilitate the Group business expansion plan.

APPRECIATION

The Board wishes to thank the staff for their continued efforts during the past period.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in the Share Capital of the Company

The Directors of the Company who held office at 30 June 2006 had the following interests in the shares, underlying shares and debuntures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") at that date as recorded in the register of directors' interests and short positions required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Name of Directors	Types of Interests	Total number of shares held	% of total issued shares
Ms. Sun Bo	Corporate *(Notes)*	98,000,000	27.89
Mr. Christian Emil Toggenburger	Personal	95,304,000	27.12
Mr. Hans-Peter Hess	Personal	1,290,000	0.36

Notes:

The interest disclosed represents the 98,000,000 shares held by Smartmax Holdings Limited which is 90% owned by Ms. Sun Bo. The other 10% was held by Mr Cheung Chung Leung, the chairman of the Company.

All the interests stated above represented long positions in the shares of the Company as at 30 June 2006, there were no short positions recorded in the register required to be kept uner Section 336 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 30 June 2006, so far as is known to the Directors, save as for the interest of the directors which had been disclosed in the above, there was no interest or short positions of the persons, other than the directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

CORPORATE GOVERNANCE

During the period ended 30 June 2006, the Company has complied with the code provisions set out on Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for Code provision A.2.1.

The role of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Cheung Chung Leung, Richard has currently taken the roles of chairman. The chief executive officer of the Group has not yet been appointed, as the Group's operations, except for the securities trading activities, were temporarily ceased. The Group will consider to appoint a chief executive officer in due course to match its future requirements.

Provision A.4.1. stipulates that non-executive directors should be appointed for specific term and subject to re-election. Three of the six non-executive directors of the Company are not appointed for specific term and this constituted a deviation. However, all Directors are subject to retirement by rotation and re-election at the annual general meeting at least once for every three years. In the opinion of the Directors, this meets the same objectives and is no less exacting than those in the Code.

The Company is in the process of compiling the detailed Corporate Governance Report which will be dispatched to shareholders under separate cover.

The Company has also adopted the Model Code for Securities Transactions by the Directors for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. The Company has made specific enquiries with all directors. All directors have confirmed that they have complied with the required standard set out in the Model Code.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

REVIEW BY AUDIT COMMITTEE AND COMPANY'S AUDITOR

The 2006 interim report has been reviewed by the audit committee which comprises the four independent non-executive directors and two non-executive directors of the Company. The audit committee wishes to emphasise, given that i) all its members were appointed to the board immediately prior to the end of the period and; ii) the Company's auditors have declined to express a view on the financial statements herein, that the latter should be treated with extreme caution. In order to provide shareholders with a more informed view, the Board is taking urgent action to obtain the data referred to in Notes 1 to 8 of the Independent Review Report to the Board of Directors on pages 18 to 20.

The unaudited condensed consolidated interim financial information of this interim report has been reviewed by Shinewing (HK) CPA Limited, our Company's auditor in accorance with Statement of Auditing Stardards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the board of directors
Beauforte Investors Corporation Limited
Cheung Chung Leung, Richard
Chairman

Hong Kong, 29 September 2006

As at the date of this report, the directors of the Company are as follow:

Executive directors	Mr. Cheung Chung Leung, Richard Ms. Sun Bo Mr. Christian Emil Toggenburger Mr. Beat Rene Saxer
Non-executive directors	Mr. Hans-Peter Hess Ms. Young Mai-San
Independent non-executive directors	Mr. Cheng Hong Kei, Andrew Mr. Tang Ka Siu, Johnny Mr. Leung Kwan, Hermann Mr. William Montgomerie Courtauld

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF BEAUFORTE INVESTORS CORPORATION LIMITED
寶福集團有限公司
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report of the Group, comprising the Company and its subsidiaries, set out on pages 1 to 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" ("SAS 700") issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our review was limited as explained below.

A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

The scope of our review was limited as follows:

1. **Opening balances**

   Our audit report on the financial statements of the Group for the year ended 31 December 2005 contained a qualified opinion arising from limitation of audit scope and disclaimer on view given by financial statements, details of which were set out in our report dated 27 April 2006. Any adjustments to the opening net assets of the Group at 1 January 2006 would have a consequential effect on the net loss of the Group for the six months ended 30 June 2006. In additions, the comparative figures in the condensed consolidated balance sheet as at 31 December 2005 and in the condensed consolidated income statement and condensed consolidated cash flow statement and condensed consolidated statement of changes of equity for the six months ended 30 June 2005 may not be comparable with the figures for the current period.

2. **Financial position and operating result of 澤潤投資諮詢（上海）有限公司 (“Zerun”)**

   The interim financial report included the balance sheet of a wholly owned subsidiary, Zerun as at 31 December 2005. The scope of our review on Zerun was limited because we were given to understand that the personnel responsible for Zerun had left and the management of the Group was unable to access the books and records of Zerun. Due to this limitation, we were unable to obtain sufficient reliable evidence to assess whether the carrying amounts of the following significant financial statement areas (after elimination of intragroup balances), relating to Zerun, were free from material misstatements:

   — Other receivables of approximately RMB1.2 million;

   — Cash and bank balances of approximately RMB0.5 million;

   — Other payables of approximately RMB0.2 million;

   — Accumulated losses of approximately HK$0.2 million;

   — Profit for the year of NIL.

3. **Investment property at Shanghai City and provision for loss on a guarantee agreement**

   As disclosed in note 7 to the interim financial report, the Group entered into a guarantee agreement to pledge the Group’s investment property located at Shanghai to a bank to secure a short-term bank loan of RMB24 million (equivalents approximately to HK$22.9 million) granted to a third party in 2004. The carrying amount of the property was HK$35 million at 31 December 2005. We were given to understand that the borrower had defaulted paying of the loan on the due date and the Group was being called for repayment. The Group made a provision for loss of HK$22.9 million for the year ended 31 December 2005.

During the current period, the Group recognised a further provision for loss of HK$12.1 million because the Group aware that there was another PRC court order made against the property for the amount yet to be verified.

As no further information was available to us in relation to guarantee and the legal case, we were unable to determine with reasonable certainty whether provision for loss on investment property of HK$12.1 million recognised for the current period was free from material misstatements should adjustments be found necessary.

4. Investment property located at Jinan City

As disclosed in note 7 to the interim financial report, the investment property located at Jinan City was granted by the court in the PRC on 11 July 2006 to satisfy a debt allegedly owed by a subsidiary of the Group. We were given to understand that the Company was taking further legal advice as to the availability of any remedy the Group may have so as to recover the property and/or the damages it had suffered.

As no further information was available to us in relation to this legal case, we were unable to determine with reasonable certainty whether impairment losses for investment property of HK$237 million recognised for the current period was free from material misstatements should adjustments be found necessary.

5. Available-for-sale financial assets

As disclosed in note 8 to the interim financial report, the Group had 11.2% interests in Heze Century Energy Coalchem Industrial Co., Limited ("Heze"). We were given to understand that up to the date of this report, Heze had not commenced any business.

As no further information was available to us in relation to Heze, we were unable to determine with reasonable certainty whether the carrying amounts of the investment in Heze of HK$12 million at 30 June 2006 was free from material misstatements and the possible impact on the Group's condensed consolidatd income statement in the current period should adjustments be found necessary.

6. Impairment loss on other receivable

As disclosed in note 9 to the interim financial report, an untraceable other receivable in the amount of HK$8 million was written off.

As no further information was available to us in relation to this receivable, we were unable to determine with reasonable certainty whether impairment loss on other receivable recognised for the current period was free from material misstatements should adjustments be found necessary.

7. **Deposit in an assets management company**

As disclosed in note 9 to the interim financial report, the deposit placed in an asset management company (the "Manager") had been overdue as at 31 December 2005. We were given to understand that the amount had not been recovered and no interest was received up to the date of this report.

As no further information was available to us in relation to the recovery of the deposit and the Manager, we were unable to determine with reasonable certainty whether the carrying amounts of the deposit of HK$32.6 million at 30 June 2006 was free from material misstatements and the possible impact on the Group's condensed consolidated income statement in the current period should adjustments be found necessary.

8. **Deposit paid for acquisition of a subsidiary**

As disclosed in note 10 to the interim financial report, the acquisition for 80% interests in Daoqin Hospital management Company Limited (the "Acquisition") was cancelled pursuant to a cancellation agreement of 27 April 2006. The deposit of HK$13.8 million paid for the Acquisition had not been refunded up to the date of this report. We were given to understand that the management of the Group had appointed lawyers and other professionals to assist the recovery of the said amount.

As no further information was available to us in relation to the refund, we were unable to determine with reasonable certainty whether the carrying amounts of the deposit paid for the Acquisition of HK$13.8 million at 30 June 2006 was free from material misstatements and the possible impact on the Group's condensed consolidated income statement in the current period should adjustments be found necessary.

INABILITY TO REACH A REVIEW CONCLUSION

Because of the significance of the possible effect of the limitation in evidence available to us, we are unable to reach a review conclusion as to whether material modifications should be made to the interim financial report for the six months ended 30 June 2006.

Further, we draw to your attention that the comparative condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 June 2005 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

SHINEWING (HK) CPA LIMITED
Certified Public Accountants
Tam Kwok Ming, Banny
Practising Certificate Number P03289
29 September 2006