

Report of the Auditors



To the members
Hudson Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 21 to 69 which have been prepared in accordance with accounting principles generally accepted in Hong Kong other than as set out below.

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 statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an 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 Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed 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. 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.

QUALIFIED OPINION ARISING FROM DISAGREEMENT ABOUT ACCOUNTING TREATMENT

As more fully explained in note 15 to the financial statements, the Group's investment properties as at 31 December 2001 are stated in the balance sheet on the basis of a directors' valuation of HK\$345,340,000, which differs from an independent professional valuation performed by RHL Appraisal Ltd., obtained by the directors, of HK\$305,340,000 performed as at the same date. Under the provisions of Hong Kong Statement of Standard Accounting Practice 2.113 "Accounting for investment properties" ("SSAP 13"), investment properties should be valued annually by persons holding a recognised qualification in valuing properties and having recent post-qualification experience in valuing properties in the location and in the category of the properties concerned. Accordingly, in our opinion the requirements of SSAP 13 have not been met. Had the investment properties been stated at the valuation performed by the independent professional valuers, the effect would have been to reduce the Group's profit for the year and the retained profits and investment properties as at 31 December 2001 by approximately HK\$40 million.

Except for the failure to account for the investment properties in accordance with the provisions of SSAP 13, in our opinion 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 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
30 April 2002