Auditors' Report to the Hong Kong Deposit Protection Board

We have audited the statement of accounts of the Deposit Protection Scheme Fund ("the Fund") established under Section 14 of the Hong Kong Deposit Protection Scheme Ordinance ("the Ordinance") set out on pages 11 to 16 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF THE BOARD AND AUDITORS

The Ordinance requires the Hong Kong Deposit Protection Board ("the Board") to keep and maintain proper accounts and records of all transactions of the Fund and cause to be prepared a statement of accounts in respect of each financial year. The Board does so on the basis that this statement of accounts gives a true and fair view. In preparing the statement of accounts which gives a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the statement of accounts prepared by the Board and to report our opinion to the Board, as a body, in accordance with section 19 of the Ordinance. 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 Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the Fund's circumstances, have been 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 statement of accounts is free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the statement of accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the statement of accounts gives a true and fair view of the state of affairs of the Fund at 31 March 2005 and of the deficit of the Fund for the period then ended, and has been properly prepared in accordance with the Ordinance.

KPMG
Certified Public Accountants
Hong Kong

20 June 2005