

Independent Review Report

TO THE BOARD OF DIRECTORS OF SHANGHAI LAND HOLDINGS LIMITED (RECEIVERS APPOINTED)

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report for the six months ended 31 December 2003 as set out on pages 16 to 30.

DIRECTORS' RESPONSIBILITIES

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 Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA") and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the board of directors (the "Board").

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKSA, except that the scope of our review was limited as explained below.

A review consists principally of making enquiries of 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 test 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 set out below:

1. Opening balance sheet

Our audit report on the financial statements of the Group for the year ended 30 June 2003 was disclaimed in view of the significance of the possible effect of the limitations in evidence available to us, details of which were set out in our report dated 27 October 2003. Any adjustments to the opening balances of the Group as at 30 June 2003 would have a consequential effect on the net assets of the Group as at 31 December 2003 and the results of the Group for the six months then ended. Also the comparative figures in the condensed consolidated balance sheet as at 30 June 2003 shown on page 17 may not be comparable to figures as at 31 December 2003.

Independent Review Report *(Continued)*

REVIEW WORK PERFORMED *(Continued)*

2. Disclaimer of liabilities by the Receivers and the Board

As explained in note 1a to the interim financial report, the Receivers and the Board have not been able to give an unqualified representation as to whether all transactions affecting the Group during the six months ended 31 December 2003 have been properly included in the interim financial report and also as to whether the interim financial report presents a true and fair view of the Group's operations and cash flows for the six months ended 31 December 2003 as well as the Group's financial position as at that date. The Receivers and the Board have also disclaimed all liabilities on the interim financial report in relation to the affairs of the Group for the six months ended 31 December 2003. As a consequence, we have been unable to obtain adequate assurance regarding the completeness and accuracy of the assets, liabilities, income and expenses, the cash flows, as well as commitments, contingent liabilities and the disclosures appearing in the interim financial report.

3. Accounting records and documents

As explained in note 1a to the interim financial report, despite the Receivers' efforts in ascertaining the affairs of the Group, they have only had limited access to the books and records of Shanghai Hongxin Real Estate Development Company Limited (上海宏興房地產發展有限公司) ("Hongxin") and Bowyer Profits Limited ("Bowyer").

In addition, certain original documents of Shanghai Yihe Longbai Hotel Limited (上海逸和龍柏酒店有限公司) (formerly known as 上海逸和龍柏飯店有限公司) ("Longbai") are not available.

Accordingly, we have been unable to ascertain whether the following balances, related to Hongxin, Longbai and Bowyer, have been properly accounted for in the interim financial report:

- Turnover of HK\$944,000;
- Finance costs of HK\$10,326,000;
- Prior period adjustment on deferred taxation of HK\$14,645,000;
- Fixed assets of HK\$559,000,000;
- Debtors, deposits and prepayments of HK\$921,443,000;
- Cash, bank balances and deposits of HK\$68,176,000;
- Creditors and accruals of HK\$10,367,000;
- Tax payable of HK\$1,376,000;
- Purported loans of HK\$614,250,000; and
- Deferred tax liabilities of HK\$99,623,000.

In addition, we have also been unable to ascertain whether cash and bank balances of HK\$68,176,000 have been properly classified as cash and cash equivalents in the condensed consolidated cash flow statement on page 19.

Independent Review Report *(Continued)*

REVIEW WORK PERFORMED *(Continued)*

4. Creditors and accruals

We have not been able to obtain sufficient evidence relating to the retention consideration payable included in creditors and accruals of HK\$10,000,000 as at 31 December 2003. Accordingly, we have been unable to ascertain whether this amount has been properly accounted for in the interim financial report.

Any adjustments arising in relation to the matters referred to in paragraphs 1 to 4 above would have a consequential significant effect on the loss and cash flows of the Group for the six months ended 31 December 2003 and the net assets of the Group as at that date.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN OF CERTAIN SUBSIDIARIES

In arriving at our review conclusion, we have considered the adoption of the going concern basis in consolidating Hongxin and Longbai. The major assets of Hongxin and Longbai were allegedly secured against loans purportedly advanced to them and funds largely equivalent to the purported loans were then deposited and/or advanced to certain parties. Should these receivables become irrecoverable and the proceeds from realisation of the assets be insufficient to cover the purported loans and outstanding interest, Hongxin and Longbai might have a going concern problem.

Further, according to the latest business licence of Hongxin, the registered capital of Hongxin is stated at US\$30,000,000, of which only US\$16,700,000 has been paid up. The Shanghai Administrative Bureau for Industry and Commerce (the "Shanghai AIC") has advised that if Hongxin cannot pay up all the registered capital before 24 May 2004, the business licence of Hongxin issued on 15 January 2004 may be revoked. The Receivers are liaising with the Shanghai AIC and the Shanghai Foreign Investment Commission regarding whether the registered capital can be restored to US\$16,700,000 and the consequence in the event of non-compliance by 24 May 2004.

It is considered appropriate to consolidate Hongxin and Longbai on a going concern basis. The interim financial report does not include any adjustments that would result should the going concern basis of Hongxin and Longbai be inappropriate. However, should the going concern basis be inappropriate for Hongxin and Longbai, adjustments would have to be made to reclassify their non-current assets as current assets, non-current liabilities as current liabilities, to restate the assets to their recoverable amounts and to provide for any further liabilities that might arise.

INABILITY TO REACH A REVIEW CONCLUSION

Because of the significance of the possible effect of the limitations 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 31 December 2003.

Nexia Charles Mar Fan & Co.
Certified Public Accountants

Hong Kong, 23 March 2004