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 2004 as set out on pages 34 to 60.

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 Institute of Certified Public Accountants ("HKICPA") and the relevant provisions thereof. The interim financial report is the responsibility of 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 HKICPA, 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. **Statutory financial statements**

   Our audit reports on the financial statements of the Group for the years ended 30 June 2004 and 2003 were 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 reports dated 23 December 2004 and 27 October 2003 respectively. Any adjustments to these financial statements might have a consequential effect on the net assets of the Group as at 30 June 2004 and 31 December 2004 and the results of the Group for the six months ended 31 December 2004 and 2003.

REVIEW WORK PERFORMED *(Continued)*

2. Disclaimer of liabilities by the Receivers and the Board

As explained in Note 1b to the interim financial report, the Receivers, despite having taken all reasonable steps, had not been able to obtain all information and documents for preparing the interim financial report. Accordingly, they were unable to give an unqualified representation that all the transactions affecting the Group during the six months ended 31 December 2004 had been included in the interim financial report and also as to whether the interim financial report presented a true and fair view of the operations and cash flows of the Group for the six months ended 31 December 2004 and the financial position of the Group as at that date. The Receivers had therefore disclaimed any liabilities in respect of the interim financial report in relation to the affairs of the Group for the six months ended 31 December 2004.

The Audit Committee had reviewed and discussed the interim financial report with the Receivers and the Board. The members of the Audit Committee were unable to satisfy themselves as to whether the interim financial report presented a true and fair view and, under such circumstances, the Audit Committee was unable to make recommendation to the Board in accepting and/or adopting the interim financial report of the Group for the six months ended 31 December 2004.

The Board at a meeting held on 22 March 2005 had resolved not to approve the interim financial report for the six months ended 31 December 2004 as the Company had not been under the management of the Board for the relevant accounting period for which the interim financial report was prepared. In view of the fact that the Receivers would continue to manage the Company in the near future until further order of the Court, the Receivers considered it appropriate, notwithstanding the limitations referred to above, to take up the responsibility from the Board to prepare and approve the interim financial report. An order from the Court was obtained on 20 December 2004 conferring upon the Receivers powers, inter alia, to approve and sign the interim financial report for the six months ended 31 December 2004.

In consequence, we have been unable to obtain adequate assurance regarding the completeness and accuracy of the assets, liabilities, income and expenses, cash flows as well as the disclosures appearing in the interim financial report.

3. Accounting records and documents

As explained in Notes 1b(i) and (ii) to the interim financial report, the Receivers, notwithstanding their appointment as the legal representatives and the directors of Longbai and Hongxin on 16 December 2003 and 15 January 2004 respectively, had limited access to the books and records of Longbai and Hongxin as their former legal representatives were uncooperative and failed to surrender the books and records and/or certain original documents of Longbai and Hongxin.

In addition, as explained in Note 1b(iii) to the interim financial report, Bowyer terminated the services of Shanghai Nongkai on 29 April 2004 as agent to act on its behalf for all matters relating to the leasing of its investment properties. Shanghai Nongkai has yet to return all the relevant records and documents and monies held in trust for Bowyer.

REVIEW WORK PERFORMED *(Continued)*

3. Accounting records and documents *(Continued)*

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$1,381,000;

– Finance costs of HK$20,221,000;

– Taxation of HK$945,000;

– Debtors, deposits and prepayments of HK$955,207,000;

– Cash, bank balances and deposits of HK$51,227,000;

– Creditors and accruals of HK$125,727,000;

– Purported loans of HK$614,250,000;

– Tax payable of HK$1,738,000; and

– Deferred tax liabilities of HK$68,656,000.

The Receivers have taken out various actions to recover the amounts advanced by Longbai, Hongxin and Bowyer totaling HK$921,400,000. The Receivers are unable to ascertain whether these amounts will be recoverable in full.

In addition, we have also been unable to ascertain whether cash and bank balances of HK$23,147,000 have been properly classified as cash and cash equivalents in the condensed consolidated cash flow statement on page 37.

4. Amount due from Shun Loong Holdings Limited ("Shun Loong")

Shun Loong had filed an Originating Summons seeking declaratory reliefs against Profitex Investments Limited ("Profitex") to the effect that the sub-tenancy agreement entered into between Shun Loong and Profitex dated 23 May 2003 effectively came to an end on 19 October 2003 by virtue of Shun Loong's own repudiation of it. Profitex filed an affirmation in opposition to the Originating Summons. The Originating Summons will be set down for argument by Counsel before a Judge in open court on 29 September 2005.

In view of the foregoing, we are unable to ascertain if the amount due from Shun Loong as at 31 December 2004 of HK$5,896,000 included in deposits, prepayments and other receivables is fully recoverable.

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 2004 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 Longbai and Hongxin.

a. Longbai

As explained in Note 10a to the interim financial report, Longbai's hotel properties, with a carrying value of RMB170,000,000 (equivalent to HK$160,650,000), were secured against a loan of RMB350,000,000 (equivalent to HK$330,750,000) granted by Shanghai Pudong New District Liuli Rural Credit Cooperative Union ("Liuli SRCC"). As a result of the decrease in the carrying value of the hotel properties, Longbai had net liabilities as at 31 December 2004. Thus, as detailed in Note 13g to the interim financial report, Longbai might have a going concern problem. In addition, Longbai will lose its ownership of the hotel properties if the enforcement action against Longbai is completed. The Receivers are also currently unable to determine whether there are any other contingent liabilities resulting from Liuli SRCC's enforcement action against Longbai.

b. Hongxin

As explained in Note 10a to the interim financial report, Hongxin's property under development, with a carrying value of RMB285,000,000 (equivalent to HK$269,325,000), was secured against a loan of RMB300,000,000 (equivalent to HK$283,500,000) granted by the Shijidadao Branch of Shanghai Pudong New District Rural Credit Cooperative Union ("Shijidadao SRCC"). The Receivers have been unable to determine whether Hongxin is able to meet all its liabilities as the Receivers only had limited access to Hongxin's books and records. Further, according to the information obtained by the Receivers, fund equivalent to the purported loan was deposited and/or advanced to a PRC entity. Should this receivable become irrecoverable and the proceeds from the realisation of the property under development be insufficient to cover the purported loan and other liabilities, Hongxin might have a going concern problem.

Further, as explained in Note 1b(ii) to the interim financial report, the registered capital of Hongxin according to the business licence of Hongxin issued on 15 January 2004 is listed at US$30,000,000, of which only US$16,700,000 has been paid up. The investment amount which was originally listed at US$50,000,000 is subsequently listed at US$90,000,000 pursuant to Hongxin's Certificate of Approval. Hongxin has requested the FEC to extend the deadline for paying up the additional registered capital to 24 November 2005. In light of the judgment on Hongxin dated 17 November 2004, FEC has verbally rejected Hongxin's application to extend the payment of the additional registered capital to 24 November 2005. Should the business licence of Hongxin be revoked, Hongxin might also have a going concern problem.

In addition, as detailed in Note 13i to the interim financial report, Hongxin will lose its ownership of the property under development if the enforcement action against Hongxin is completed. The Receivers are also currently unable to determine whether there are any other contingent liabilities resulting from Shijidadao SRCC's enforcement action against Hongxin.

As the Receivers have indicated that they will unlikely be providing the necessary funding to maintain Longbai and Hongxin as a going concern, the interim financial report includes appropriate adjustments to state Longbai's hotel properties and Hongxin's property under development at valuation on a forced sale basis and to reclassify the purported loans under current liabilities. No adjustments have been made to restate the other assets to their recoverable amounts and to provide for any further liabilities that might arise as the amounts are not quantifiable.

DISAGREEMENT ABOUT ACCOUNTING TREATMENT

Interest expenses of HK$51,142,000 have been accrued on the purported loan borrowed by Hongxin and were recorded as prepayments, as detailed in Note 8 to the interim financial report. The interest accrued should be accounted for as an expense as required by Statement of Standard Accounting Practice 19 "Borrowing costs" ("SSAP 19") issued by HKICPA. If the Group had accounted for the borrowing costs in accordance with SSAP 19, the Group's loss attributable to shareholders for the six months ended 31 December 2004 would have been increased by HK$31,477,000, accumulated losses as at 1 July 2004 of HK$19,665,000 and the debtors, deposits and prepayments as at 31 December 2004 would have been decreased by HK$51,142,000.

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 2004.

Nexia Charles Mar Fan & Co.
Certified Public Accountants

Hong Kong, 22 March 2005