

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF TEM FAT HING FUNG (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 1 to 15.

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 SSAP 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of 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:

(a) Jointly controlled entities ("JCE")

As stated in note 9 to the condensed consolidated balance sheet, there are interests in jointly controlled entities amounting to HK\$63,148,000 as at 31st October 2001. The Group's share of the results of JCE of HK\$5,032,000 for the period as shown in the condensed consolidated profit and loss account is prepared based on the latest available management accounts of the JCE. No further accounts or other financial information have been made available to us. Consequently we are unable to determine whether the Group's interest of HK\$63,148,000 in the JCE is fairly stated as at 31st October 2001 and the Group's share of the results of JCE of HK\$5,032,000 for the period is fairly stated.

During the period, a receiver and manager were appointed by the financial creditors to take over the management of these JCE. Due to the uncertainty surrounding this receivership at this stage, we have not been provided with adequate information from the directors concerning the outcome of the receivership and therefore we are unable to comment on whether provision for impairment loss of interests in JCE should be made in the accounts and to satisfy ourselves that the amount of HK\$63,148,000 is fairly stated at 31st October 2001.

The Group has provided corporate guarantees to certain overseas banks in respect of credit facilities granted to the above mentioned JCE. The amount of these facilities drawn down was approximately HK\$160,155,000 at 31st October 2001, which has been disclosed as part of the Group's contingent liabilities. As the JCE have breached the covenants of the agreements for these guaranteed borrowings, the Group is therefore contingently liable for the repayment of these outstanding borrowings and has received several notices for demand payments of part of these outstanding borrowings around the year end of 2001. However, it is not possible to quantify the Group's obligations at this stage which should be provided for in the preparation of the Group's accounts. Accordingly, we have not been able to determine whether provision for any liabilities should have been made in the accounts as at 31st October 2001.

(b) *Carrying value of investment securities*

Tem Fat Hing Fung Capital (BVI) Limited, a wholly owned subsidiary of the Company, retained 3.8% equity interest in Global Cyber Limited ("Global Cyber"), which was accounted for as long term investment in securities, and stated at cost of HK\$38,000,000 less provision for impairment loss of HK\$38,000,000 at 31st October 2001. We have not been provided with adequate financial information concerning its carrying value in the accounts as at 31st October 2001. Although full provision for impairment loss had been made in prior year's accounts regarding the carrying value of the Group's interest in Global Cyber, we are unable to determine whether the amount of provision made is adequate but not excessive and that the carrying value of this investment is fairly stated as at 31st October 2001.

(c) *Fundamental uncertainty relating to the going concern basis*

In performing our review, we have considered the adequacy of the disclosures made in note 1 to the interim accounts which explain the circumstances giving rise to fundamental uncertainties relating to the Group's ability to continue as a going concern. As explained in note 1 to the accounts, the Group has experienced severe financial difficulty for the period and is currently negotiating with a potential investor for the purpose of restructuring the Group's indebtedness and revitalising the Group's financial position and business. The interim accounts have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the measures to be implemented and in process by the Group to improve the financial position and the business of the Group. The interim accounts do not include any adjustments that would result from the failure of these measures. We have been unable to determine whether the assessment on adoption of going concern basis is appropriate.

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 modification should be made to the interim financial report for the six months ended 31st October 2001.

TING HO KWAN & CHAN

Certified Public Accountants

Hong Kong, 9th August 2002