

RSM! Nelson Wheeler

羅申美會計師行

Certified Public Accountants

To the shareholders of

SINGAPORE HONG KONG PROPERTIES INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 19 to 62 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Hong Kong Companies Ordinance requires the directors to prepare 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 except that the scope of our work was limited as explained below.

An audit includes 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 circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned 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. However, the evidence available to us was limited as follows:

(a) Accrued interest and bank overdrafts liabilities

Included in other payables and accruals and bank overdrafts of the Group as stated in Notes 20(b) and 21(a)(i) respectively to the financial statements are accrued interest of HK\$15,553,000 and bank overdrafts of HK\$48,758,000 payable to a bank totalling HK\$64,311,000. As explained in Note 20(b), the amount of interest liabilities was accrued based on the best estimate of the management. However, the amount confirmed by the bank was higher than the aforesaid total balance by HK\$3,948,000. There is no sufficient information available for us to reconcile the above mentioned difference. As a result, we are unable to ascertain whether the aforesaid balances of interest accrual and bank overdrafts are fairly stated. Any adjustment would have a consequential effect on the loss for the year and net liabilities of the Group at 31 December 2002.

(b) Recoverability of other receivables

Included in other receivables of the Company and the Group as stated in Note 19 to the financial statements are amounts due from a third party of HK\$3,820,000 and HK\$19,702,000 respectively. We have not been provided with sufficient information to assess the recoverability of the aforesaid receivables. As a result, we are unable to determine whether the aforesaid receivables could be recovered in full. Any adjustment would have a consequential effect on the loss for the year and net liabilities of the Company and the Group at 31 December 2002.

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.

Report of the Auditors

Fundamental Uncertainty Relating to the Going Concern Basis

In forming our opinion we have considered the adequacy of the disclosures made in Note 1 to the financial statements which explains that in preparing the financial statements the directors have given consideration to the future operations and financing of the Company and the Group. The financial statements have been prepared on a going concern basis, the validity of which is subject to the successful outcome of the measures to be implemented by the Company and the Group. The financial statements do not include any adjustments that would result from the failure of these measures. We consider that appropriate disclosures have been made, but in view of the significant net current liabilities and capital deficiency of the Company and the Group at 31 December 2002 and the uncertainty surrounding the measures to be implemented to improve the Company's and the Group's financial position, we are unable to determine whether the going concern basis is appropriate.

Disclaimer of Opinion

We are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2002 and of the loss and cash flows of the Group for the year then ended because of the significance of the fundamental uncertainty relating to the going concern basis and the possible effects of the limitation in audit scope as referred to in the basis of opinion section of this report. In all other respects in our opinion the financial statements have been properly prepared in accordance with the Companies Ordinance.

In respect alone of the limitation on our work as set out in the basis of opinion section of this report:

- (i) we have not obtained all the information and explanations we considered necessary for the purpose of our audit; and
- (ii) we were unable to determine whether proper books and records had been kept.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong, 25 April 2003