

# APPENDIX



Chartered Accountants  
Certified Public Accountants

Our Ref: 300069/MC/LJ/LP/ac

23 April 2003

## STRICTLY PRIVATE & CONFIDENTIAL

The Special Committee  
Oxford Properties & Finance Limited  
1601 Wing On Centre  
111 Connaught Road Central  
HONG KONG

Dear Sirs

### Oxford Properties & Finance Limited (“Oxford”)

In accordance with the terms of engagement as set out in the engagement letter dated 22 August 2002 and submitted herein by us, which was approved by the Special Committee on 9 October 2002 (the “Engagement Letter”), (a copy of which is included as **Appendix A**), we would inform you that we have duly completed our investigation in respect of the matters to which we were engaged and our findings in respect thereof are filed herewith by way of an Investigation Report.

### **Review procedures and findings**

Our Investigation Report is filed solely for the purposes as set forth in the Engagement Letter and not otherwise. As we were and are independent from Oxford, we familiarised ourselves with the financial data of Oxford by analyzing (a) the financial information of the annual reports and audited accounts of Oxford for the Relevant Periods and (b) the internal management information provided to us by the management of Oxford. In reaching our findings, we have performed necessary review procedures in accordance with the Statement of Auditing Standard No.710 “Engagements to perform agreed-upon procedures regarding financial information” which were agreed in our Engagement Letter.

The procedures that we have performed do not constitute either an audit or a review within the meanings of Statements of Auditing Standards issued by the Hong Kong Society of Accountants since our engagement relates only to specific matters as particularly defined in the Engagement Letter and does not extend to any financial statements of Oxford or any of the companies comprising the group, taken as a whole, or at all.

6/F, Wheelock House, 20 Pedder Street, Central, Hong Kong SAR Tel: + (852) 2810 8333 Fax: + (852) 2810 1948  
香港中環畢打街 20 號會德豐大廈 6 字樓 電話: + (852) 2810 8333 傳真: + (852) 2810 1948  
E-mail: hic@hic.com.hk Web Site: <http://www.hic.com.hk> 電子郵件: hic@hic.com.hk 網址: <http://www.hic.com.hk>

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Details of our investigation process with regard to the allegations made by the minority shareholders of Oxford as specifically set forth in the Engagement Letter are described in our said Investigation Report together with our findings in respect thereof.

The executive summaries of our findings are as follows: -

1. Regarding the allegation that certain Guam Properties had not been independently valued and their true value had not been properly reflected in the accounts of Oxford

(i) **Valuation of “Investment Properties”**

It is our finding that the valuation of the “Investment Properties” in the Audited Accounts has been properly dealt with in accordance with SSAP 2.113.

(ii) **Valuation of “Other Properties”**

It is our finding that the accounting policies adopted by Oxford in accounting for those Guam Properties that were classified as leasehold land under “Other Properties” are in accordance with SSAP 2.114 (Revised), which became effective for financial periods beginning on or after 1 July 2000.

(iii) **Valuation of “Properties held for Sale”**

It is our finding that the accounting policies adopted by Oxford in accounting for “Properties held for Sale” for each of the Relevant Periods as disclosed in the Audited Accounts are in accordance with SSAP 2.117 and SSAP 2.122.

2. Regarding the allegation that certain Guam Properties had been rented out but the rental income generated therefrom was not recorded in the accounts of Oxford

- It is our finding that we did not note any rental income being unrecorded during the Relevant Periods.

3. Regarding the allegation that a hotel, by the name of Tamuning Hotel, was built on one of the Guam Properties and was subsequently disposed of by Oxford the sales proceeds of which were not recorded in the accounts of Oxford

It is our finding that Oxford has never owned the lot on which Tamuning Hotel was erected.

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4. Regarding the allegation that certain Guam Properties had been misclassified due to incorrect descriptions of their respective usage
  - It is our finding that the accounting policies of Oxford in respect of the classification of the Guam Properties, as classified into Investment Properties, Other Properties and Properties held for Sale, were in accordance with accounting principles generally accepted in Hong Kong which include, inter alia, the Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants.
  
5. Lot 2025-1-1-10, Dededo ("Lot 2025")

Regarding the allegations that: -

  - (a) this property was not a vacant lot, but had been occupied by two stalls with a vacant office above and also a hotel named Tamuning Hotel; and
  - (b) the said hotel was sold to a Korean investor but the sale had not been recorded in the books of Oxford and a Mr Lee had pocketed the sale proceeds
  - It is our finding that the related rental income from Lot 2025 had been properly accounted for by Oxford in the audited accounts for each of the Relevant Periods. According to the Independent Surveyor's Report, no hotel has ever been erected on Lot 2025 and Oxford is and was at all material times legally entitled to the use, occupation and enjoyment of Lot 2025 up to the date of search on 21 October 2002 without any interruption. Accordingly, we are not aware of any instance where misappropriation of sale proceeds had occurred during the Relevant Periods
  
6. Lot 5163-Dededo, Guam Estate Number 4064, Suburban ("Lot 5163")

Regarding the allegations that: -

  - (a) this property appeared in two places in the annual report of Oxford for the year ended 31 January 2001 and that part of the property appeared as "Land and buildings in Guam, U.S.A." under "Investment Properties" with a gross floor area of 6,100 square meters with industrial/ commercial/ dormitory use; and part of which also appeared as "Land in Guam, U.S.A. for investment" under "Other Properties" with a site area of 57,234 square meters with industrial use; and

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6. Lot 5163-Dededo, Guam Estate Number 4064, Suburban ("Lot 5163") (Continued)
- (b) this property had been let for some time as a business park in respect of which Oxford should have been receiving rental income. The amount of such rental was claimed by the minority shareholders to be significant. However, this information and/or the rental income were never disclosed in the annual reports of Oxford
  - An Independent Surveyor in Guam was engaged in respect of the allegations herein. The Independent Surveyor's Report did not state that Lot 5163 has ever been used as a business park during the Relevant Periods. The Independent Surveyor, however, did state that there were at all material times and still are numerous concurrent tenants occupying various parts within Lot 5163. We noted that the details relating to Lot 5163 as disclosed in the audited accounts were in agreement with the narrative descriptions on the relevant Certificates of Title and the related general ledger accounts except for the "type of use". We also noted that relevant rental income has been properly accounted for by Oxford in the audited accounts for each of the Relevant Periods
7. Lot 2112A-8, Tamuning, Dededo, Guam Estate Number 7001 ("Lot 2112A-8")
- Regarding the allegations that: -
- (a) this property was not a vacant lot but had offices and shops thereon; and
  - (b) this property had been improperly classified in the accounts of Oxford and that it was questionable as to whether the rental income was properly recorded in the books of Oxford
  - According to the Independent Surveyor's Report, Oxford owns the fee simple interest in Lot 2112A-8 which is vacant and there is no existing tenant lease. We noted that the details relating to Lot 2112A-8 as disclosed in the audited accounts were in agreement with the narrative descriptions on the relevant Certificates of Title, the related general ledger accounts and the Independent Surveyor's Report. We noted that Lot 2112A-8 was classified as land under "Other properties" in the audited accounts for each of the Relevant Periods and we consider that Lot 2112A-8 has been properly classified as "Other properties" in accordance with SSAP 2.117.

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### Use of the Investigation Report

It is understood that the Investigation Report is prepared solely for the use of Oxford, and that copies whereof may be made available to the Securities and Futures Commission of Hong Kong (the "SFC"), The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the shareholders of Oxford and/or the public for information only. However, for the avoidance of doubt, all duty of care, responsibilities and/or liabilities (including but without limitation, those arising from negligence) to third parties other than Oxford, including the SFC, the Stock Exchange, the shareholders and the public, are hereby specifically disclaimed. The Investigation Report filed herewith by us will be filed solely for the purpose set forth in the Engagement Letter and for your information only and is not to be used for any other purposes or (subject to the foregoing) to be distributed to any other parties without our prior written consent.

We shall be pleased to discuss the Investigation Report with you and/or provide any further information or assistance that you may require.

Finally, we would like to thank the Special Committee and the Company's management for their full co-operation during the course of our investigation.

Yours faithfully

A handwritten signature in black ink, appearing to read 'H B Hodgson Impey Cheng', written in a cursive style.

*Chartered Accountants  
Certified Public Accountants*

Hong Kong, 23 April 2003