



INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF HONG KONG CONSTRUCTION (HOLDINGS) LIMITED

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 Ltd require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. 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 Statement of Auditing Standards 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 because the Company's interim financial report for the six months ended 30th June, 2000 was neither reviewed in accordance with SAS 700 nor audited and consequently we were unable to perform a review of the comparatives in accordance with SAS 700.

Fundamental uncertainty

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in the interim financial report concerning the continued support of the Group's bankers and the ability of the Group to obtain sufficient external funding. The interim financial report has been prepared on a going concern basis, the validity of which depends upon the ongoing support of the Group's bankers and the successful outcome of the Group's restructuring plan. The interim financial report does not include any adjustments that would result from a failure to obtain such support and to implement the restructuring plan. Details of the circumstances relating to this fundamental uncertainty are described in note 2 to the interim financial report.

Modified review conclusion arising from limitation of review scope

On the basis of our review which does not constitute an audit, with the exception of the possible adjustments to the information for the comparative period ended 30th June, 2000 that might have been determined to be necessary had the above limitation not existed, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2001.

KPMG

Certified Public Accountants

Hong Kong, 24th September, 2001