

Statement from the Receivers

We hereby present the interim report (“Interim Report”) of Shanghai Land Holdings Limited (Receivers Appointed) (the “Company”) and its subsidiaries (collectively the “Group”) for the six months ended 31 December 2004.

GENERAL BACKGROUND

The Company is incorporated in Hong Kong with limited liability and has its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The trading of the Company’s shares on the Stock Exchange has been suspended since 9:30 a.m. on 2 June 2003 at the request of the Company.

On 7 June 2003, due to the uncertainties caused by the reported arrest of Mr. Chau Ching Ngai (“Mr. Chau”) in the People’s Republic of China (“PRC”), the Company’s board of directors (the “Board”) obtained an order from the High Court of Hong Kong (the “Court”) appointing us, Stephen Liu Yiu Keung and Yeo Boon Ann of Ernst & Young Transactions Limited (“EYTL”), as the joint and several receivers of the Company (the “Receivers”) until further order. No winding-up petition has been filed against the Company and the Company is therefore not in liquidation.

DISCLAIMER OF LIABILITIES

We have taken all reasonable steps and have used our best endeavours to prepare the Group’s interim financial report for the six months ended 31 December 2004.

Despite our efforts in ascertaining the affairs of the Group, the former legal representative of Shanghai Hongxin Real Estate Development Company Limited (上海宏興房地產發展有限公司) (“Hongxin”) and the former agent of Bowyer Profits Limited (“Bowyer”) were uncooperative and failed to surrender the books and records to us. As a result, we only had limited access to the books and records of Hongxin and Bowyer. In addition, we could not obtain certain original documents of Shanghai Yihe Longbai Hotel Limited (上海逸和龍柏酒店有限公司) (“Longbai”).

In the course of our investigation, we understand that such books and records and documents are kept by Shanghai Nongkai Development Group Limited (上海農凱發展(集團)有限公司) (“Shanghai Nongkai”), a PRC company controlled by connected parties of Mr. Chau.

In light of the above, we are unable to give an unqualified representation that all the transactions affecting the Group during the six months ended 31 December 2004 have been included in the interim financial report and whether the interim financial report presents a true and fair view of the Group’s operations and cash flows for the six months ended 31 December 2004 and the Group’s financial position as at that date. We therefore disclaim any liabilities in respect of the interim financial report of the Group in relation to the affairs of the Group for the six months ended 31 December 2004.

The audit committee of the Company (the “Audit Committee”) had reviewed and discussed the interim financial report with us 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.

Statement from the Receivers *(Continued)*

DISCLAIMER OF LIABILITIES *(Continued)*

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 we would continue to manage the Company in the near future until further order of the Court, we 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 of the Court was obtained on 20 December 2004 conferring upon us powers to lay before the Company at its annual general meetings the profit and loss accounts, together with group accounts, balance sheets, auditors' reports and reports by the Receivers prepared in respect of the Company and of the Group for the relevant accounting periods; and to approve and sign any profit and loss accounts, group accounts, balance sheets and reports in respect of the Company and of the Group for the relevant accounting periods.

Shareholders and other users are recommended to read the Interim Report with extreme caution.

GENERAL OVERVIEW

Upon our appointment, we have taken over the general management and conduct of the affairs of the Company and we have initiated and defended legal actions in Hong Kong and PRC with a view to preserving and maximising the value of assets of the Company.

Details of our work done and findings are set out as follows:

1. Control and management of Longbai

We applied to the Shanghai Administrative Bureau for Industry and Commerce (上海市工商行政管理局) ("Shanghai AIC") of the PRC to change the legal representative and board members of Longbai. On 16 December 2003, Shanghai AIC endorsed the change of Longbai's legal representative to Mr. Yeo Boon Ann; and the appointment of the Receivers and Mr. Laurence Yegene Ip (an employee of EYTL) as Longbai's directors.

Longbai's former legal representative refused to surrender Longbai's official seal, financial chop and certain original documents to us. The official seal and financial chop are vital to Longbai's daily operations. After consulting with the Shanghai Ministry of Public Security of Changning District Branch (上海市长宁公安分局) on 5 February 2004, we lodged an application with the Shanghai AIC to change Longbai's name from 上海逸和龍柏飯店有限公司 to 上海逸和龍柏酒店有限公司 in order that new chops could be made for Longbai in its new name.

On 16 February 2004, Shanghai AIC issued the new business licence for Longbai reflecting its change of name. On 20 February 2004, the Shanghai Ministry of Public Security of Changning District Branch approved the making of Longbai's new official seal and financial chop. We finally obtained the new official seal and financial chop on 23 February 2004 and commenced our control over the management of Longbai.

In the course of our investigation, we understand that certain original licences and agreements of Longbai/Hotel Yihe Longbai Shanghai (上海逸和龍柏飯店)("Hotel Longbai") are kept by Shanghai Nongkai, a PRC company controlled by connected parties of Mr. Chau.

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

1. Control and management of Longbai *(Continued)*

A number of our staff had been stationed at Hotel Longbai to oversee its operations on a full-time basis. They have streamlined the organisation structure of Hotel Longbai and appointed an acting general manager to assist in controlling and supervising all activities of the hotel in purchasing, personnel issues, sales, operations, accounting and compliance to statutory requirements.

In February 2005, our staff at Hotel Longbai were threatened and physically assaulted on various occasions by a gang of people. The police in Shanghai were called on a number of occasions by our staff seeking protection.

In particular, one of our staff was physically detained against his will at Hotel Longbai on 7 February 2005, physically assaulted and was only allowed to leave after being forced to sign a document against his will and under duress.

We have written to the Shanghai Government (上海市人民政府), Shanghai No. 1 Intermediate Court (上海市第一中級人民法院) (the "Intermediate Court") and Shanghai Police (上海市公安局) to inform them of the current situation. As we currently consider that it is unsafe for our staff to work at Hotel Longbai, supervision on payments and other documents are being conducted through mail. In the circumstances, we consider that the day-to-day operation of Hotel Longbai is no longer under our control.

2. Control and management of Hongxin

We applied to the Shanghai AIC for the change of legal representative and board members of Hongxin. On 15 January 2004, the Shanghai AIC endorsed the change of legal representative for Hongxin to Mr. Yeo Boon Ann; and the appointment of the Receivers and Mr. Laurence Yegene Ip as Hongxin's directors.

Hongxin's former legal representative refused to surrender Hongxin's books and records, official seal and financial chop to us. On 27 February 2004, we reported the matter to the Shanghai Ministry of Public Security of Huangpu District Branch (上海市黃埔公安分局) and obtained the approval to make a new official seal and financial chop.

The registered capital of Hongxin was US\$16,700,000 as of 20 January 2003 and an application to increase Hongxin's registered capital to US\$30,000,000 was made to Shanghai Foreign Investment Commission (上海市外國投資工作委員會) ("SFIC") prior to our appointment as legal representative and directors of Hongxin effective on 15 January 2004.

The new business licence showed the registered capital of Hongxin to be listed at US\$30,000,000, of which US\$16,700,000 had been paid-up and the Certificate of Approval (批准證書) showed the investment amount of Hongxin to be listed at US\$90,000,000 compared to the original amount of US\$50,000,000.

On 6 February 2004, Hongxin applied to SFIC for the restoration of its original registered capital to US\$16,700,000 and investment amount to US\$50,000,000.

The deadline for paying up the additional registered capital was 24 May 2004. On 30 April 2004, we requested SFIC to extend the deadline to 24 November 2004. SFIC, however, advised that Hongxin's annual inspection of the Certificate of Approval for 2003 ("SFIC Annual Inspection") was required for their consideration.

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

2. Control and management of Hongxin *(Continued)*

Furthermore, the business licence of Hongxin would be revoked if the annual inspection of the business licence for 2003 (“AIC Inspection”) was not completed. The AIC Inspection could only be processed after the SFIC Annual Inspection had been passed and the deadline to pay the additional registered capital was extended.

Subsequent to the completion of Hongxin’s 2003 audit on 2 August 2004 and Hongxin’s 2003 foreign exchange audit on 28 September 2004, the SFIC Annual Inspection was passed on 9 October 2004. We then continued to consult SFIC, Shanghai AIC, and the Foreign Economic Commission of Huangpu District Shanghai (上海市黃埔區對外經濟委員會) (“FEC”) to restore the registered capital and investment amount of Hongxin to their original amounts, US\$16,700,000 and US\$50,000,000 respectively.

Following confirmation by FEC that the application for restoration would not be accepted, an application was submitted to FEC on 25 November 2004 to extend the deadline for the payment of the additional capital to 24 November 2005.

Subsequent to the judgment on Hongxin dated 17 November 2004 issued by the Intermediate Court as detailed below in “Actions relating to Hongxin” of this Statement, FEC verbally rejected Hongxin’s application to extend the payment of the additional registered capital to 24 November 2005.

We are currently considering all legal options in this respect. Should the business licence of Hongxin be revoked, Hongxin might have a going concern problem.

3. Control and management of Bowyer

Pursuant to an agency agreement dated 11 April 2001, Bowyer appointed Shanghai Nongkai to act on its behalf on all matters relating to the leasing of its investment properties. We also understand that certain books and records of Bowyer were kept by Shanghai Nongkai, a PRC company controlled by connected parties of Mr. Chau.

In the March and April 2004 financial reports prepared by Shanghai Nongkai, we noted that legal expenses of RMB4,180,000 had been recorded but not properly supported. A representative of Shanghai Nongkai orally confirmed to us that this money belonging to the Group had been used to settle legal fees incurred by Mr. Chau. Despite numerous requests, Shanghai Nongkai failed to respond to our enquiries.

Bowyer terminated the service of Shanghai Nongkai on 29 April 2004 and appointed FPD Savills Property Services (Shanghai) Company Limited (“FPDSavills (Shanghai)”) as the manager on 10 June 2004. Despite repeated requests, Shanghai Nongkai has yet to return all the relevant records and documents and monies held in trust for Bowyer.

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

4. Actions relating to Longbai

On 28 June 2004, a Summons was served on Longbai by the Intermediate Court requiring Longbai or its respective attorney to appear at the hearing held on 6 July 2004. The hearing was in relation to an enforcement application by Shanghai Pudong New District Liuli Rural Credit Cooperative Union (上海市浦東新區六裏農村信用合作社) (“Liuli SRCC”) against Longbai regarding the loan of RMB350,000,000 purportedly made by Liuli SRCC to Longbai (the “Longbai Purported Loan”) pursuant to a loan agreement dated 11 April 2003 and the accompanying security agreement dated 11 April 2003 entered into between Liuli SRCC and Longbai (the “Longbai Purported Loan Agreements”).

An enforcement notice dated 28 June 2004 (the “Longbai Enforcement Notice”) was also served on Longbai stating, among other things, that Longbai should pay Liuli SRCC RMB354,934,911.58 (with accrued penalty interest and an enforcement fee of RMB356,935) in relation to the Longbai Purported Loan.

On 5 July 2004, Longbai filed a statement of claim against Liuli SRCC (the “Longbai SOC”) with the Intermediate Court to invalidate the Longbai Purported Loan Agreements. The Intermediate Court accepted the application on the same day and scheduled the hearing to take place on 24 August 2004 (the “August 2004 Hearing”).

At the hearing on 6 July 2004, Longbai filed with the Intermediate Court an application for the suspension of execution of the Longbai Enforcement Notice.

On 13 July 2004, Longbai received from the Intermediate Court an order dated 6 July 2004 stating that, the respective bank deposits of Longbai be frozen to satisfy the Longbai Enforcement Notice; assets of Longbai of equivalent value be frozen, foreclosed or auctioned in the event of any shortfall; and a list of the assets of Longbai to be frozen which included the real estate property (i.e. Hotel Longbai) but excluded the bank accounts and other assets of Longbai.

We understood from the Intermediate Court that in view of the application filed by Longbai for the suspension of execution of the Longbai Enforcement Notice and the Longbai SOC seeking the invalidation of the Longbai Purported Loan Agreements, the Intermediate Court would not freeze the bank accounts of Longbai and other assets before the Intermediate Court concluded on the invalidation application. The formal judgment in respect of the application by Longbai for the suspension of execution of the Longbai Enforcement Notice was reserved by the Intermediate Court pending their judgment in respect of the August 2004 Hearing.

On 4 August 2004, Longbai filed an application to add various co-defendants to the Longbai SOC namely the former legal representative of Longbai, Shanghai Nongkai and Fuyou Securities Brokerage Co., Limited (富友證券經紀有限責任公司) (“Fuyou”) on the basis that these parties had conspired to execute the Longbai Purported Loan Agreements with the intention to deceive Longbai.

The application was rejected by the Intermediate Court on 11 August 2004 on the grounds that the evidence submitted by Longbai did not show that Liuli SRCC was part of the conspiracy and Longbai’s claims against the alleged co-defendants were irrelevant to the invalidation of the Longbai Purported Loan Agreements. Longbai appealed against the Intermediate Court’s decision on 20 August 2004.

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

4. Actions relating to Longbai *(Continued)*

At the August 2004 Hearing, the Intermediate Court ruled that Longbai's appeal for adding co-defendants was not accepted but did not deliver any judgment on the Longbai SOC.

On 19 November 2004, a judgment in respect of the August 2004 Hearing was issued by the Intermediate Court ruling that, among other things, the Longbai Purported Loan Agreements were legally binding. The Intermediate Court did not support Longbai's application for the invalidation of the Longbai Purported Loan Agreements and the refund by Liuli SRCC of interest paid by Longbai of approximately RMB9,928,000 and interest accrued on interest of approximately RMB399,000, and further ruled that Longbai must bear the court fees, which had already been paid, of approximately RMB1,760,000.

Longbai did not file any appeal against the Intermediate Court's judgment dated 19 November 2004 in light of legal advice obtained.

On 6 January 2005, the Judge of the Enforcement Tribunal of the Intermediate Court handed down an order dated 23 December 2004 stating that the action under the Longbai Enforcement Notice instigated by Liuli SRCC be suspended in light of the Longbai SOC. However, when we sought further clarification on the aforesaid order, the Judge advised that the judgment dated 19 November 2004 on the Longbai SOC should have become effective as the reason for the suspension of the Longbai Enforcement Notice no longer existed.

On 7 March 2005, the Intermediate Court issued an enforcement resumption notice to Longbai and fixed a date for a hearing on 14 March 2005.

At the hearing on 14 March 2005, the Intermediate Court indicated that the enforcement procedure would commence within seven days from the date of the hearing.

Longbai continues to own Hotel Longbai but will lose its ownership if the enforcement action against Longbai is completed.

We are currently unable to determine whether there are any other contingent liabilities pursuant to the enforcement action. Based on the information available to us so far, there is no information indicating that the Company has provided any guarantee for the Longbai Purported Loan or that Liuli SRCC has any recourse against the Company in respect of the Longbai Purported Loan.

5. Libel action by Liuli SRCC

On 15 January 2005, a Summons was served on Longbai by the Intermediate Court requiring Longbai or its respective attorney to appear at the hearing on 14 April 2005 in relation to a libel action instituted by Liuli SRCC naming Longbai as the first defendant, EYTL as the second defendant, Yeo Boon Ann and Stephen Liu Yiu Keung as the third and fourth defendants respectively.

In the statement of claim, Liuli SRCC alleged that the basis of the Longbai SOC was unfounded and the action brought by Longbai under our instructions had seriously damaged the reputation of Liuli SRCC amongst the financial sector. Liuli SRCC is seeking a public apology to mitigate the adverse effect on its reputation and claiming compensation of RMB1, legal costs of RMB125,000 and all related litigation costs.

We are of the opinion, and this is supported by our PRC legal advisors, that Liuli SRCC's claim has no basis. We will vigorously defend the libel action.

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

6. Actions relating to Hongxin

On 28 June 2004, a Summons was served on Hongxin by the Intermediate Court requiring Hongxin or its respective attorney to appear at the hearing held on 6 July 2004. The hearing was in relation to an enforcement application by the Shijidadao Branch of Shanghai Pudong New District Rural Credit Cooperative Union (上海市浦東新區農村信用合作社聯合社世紀大道分社) (“Shijidadao SRCC”) against Hongxin regarding the loan of RMB300,000,000 purportedly made by Shijidadao SRCC to Hongxin (the “Hongxin Purported Loan”) pursuant to a loan agreement dated 27 March 2003 and the accompanying security agreement dated 27 March 2003 entered into between Shijidadao SRCC and Hongxin (the “Hongxin Purported Loan Agreements”).

An enforcement notice dated 28 June 2004 (the “Hongxin Enforcement Notice”) was also served on Hongxin stating, among other things, that Hongxin should pay Shijidadao SRCC RMB301,447,005.54 (with accrued penalty interest and an enforcement fee of RMB303,447) in relation to the Hongxin Purported Loan.

As Hongxin did not receive the Summons and the Hongxin Enforcement Notice from the Intermediate Court until 6 July 2004, the Intermediate Court adjourned the hearing in relation to the Hongxin Enforcement Notice to 13 July 2004.

On 8 July 2004, Hongxin filed a statement of claim against Shijidadao SRCC (the “Hongxin SOC”) with the Intermediate Court seeking the invalidation of the Hongxin Purported Loan Agreements. The Intermediate Court accepted the application on 12 July 2004 and scheduled the hearing to take place on 7 September 2004 (the “September 2004 Hearing”).

At the hearing on 13 July 2004, Hongxin filed with the Intermediate Court an application for the suspension of execution of the Hongxin Enforcement Notice. At the same hearing, Hongxin received from the Intermediate Court an order dated 6 July 2004 stating that, the respective bank deposits of Hongxin be frozen to satisfy the Hongxin Enforcement Notice; assets of Hongxin of equivalent value be frozen, foreclosed or auctioned in the event of any shortfall; and a list of the assets of Hongxin to be frozen which included the real estate property (i.e. the land at Wuzhong Road) but excluded the bank accounts and other assets of Hongxin.

We understood from the Intermediate Court that in view of the application filed by Hongxin for the suspension of execution of the Hongxin Enforcement Notice and the Hongxin SOC seeking the invalidation of the Hongxin Purported Loan Agreements, the Intermediate Court would not freeze the bank accounts of Hongxin and other assets before the Intermediate Court concluded on the invalidation application. The formal judgment in respect of the application by Hongxin for the suspension of execution of the Hongxin Enforcement Notice was reserved by the Intermediate Court pending their judgment in respect of the September 2004 Hearing.

On 11 August 2004, Hongxin filed an application to add various co-defendants to the Hongxin SOC namely the former legal representative of Hongxin, Shanghai Nongkai and Shanghai Huatip Trading Limited (上海華疊貿易有限公司) (“Huatip”) on the basis that these parties had conspired to execute the Hongxin Purported Loan Agreements with the intention to deceive Hongxin, and further, to add co-third-parties to the Hongxin SOC namely the two guarantors for Huatip, Shanghai Agricultural Industrialization Development (Group) Company Limited (上海市農業產業化發展(集團)有限公司) and Shanghai Agricultural Investment General Company (上海市農業投資總公司).

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

6. Actions relating to Hongxin *(Continued)*

The application was rejected by the Intermediate Court on 26 August 2004 on the grounds that the evidence submitted by Hongxin did not show that Shijidadao SRCC was part of the conspiracy and Hongxin's claims against the alleged co-defendants and co-third-parties were irrelevant to the invalidation of the Hongxin Purported Loan Agreements.

Hongxin did not file any appeal against the Intermediate Court's decision in light of its similar ruling on 24 August 2004 to reject Longbai's application to add co-defendants to the Longbai SOC.

At the September 2004 Hearing, the Intermediate Court did not deliver any judgment on the Hongxin SOC.

On 17 November 2004, a judgment in respect of the September 2004 Hearing was issued by the Intermediate Court ruling that, among other things, the Hongxin Purported Loan Agreements were legally binding. The Intermediate Court did not support Hongxin's application for the invalidation of the Hongxin Purported Loan Agreements and the refund by Shijidadao SRCC of interest paid by Hongxin of RMB4,071,000 and interest accrued on interest of approximately RMB194,500, and further ruled that Hongxin must bear the court fees, which had already been paid, of approximately RMB1,510,000.

Hongxin did not file any appeal against the Intermediate Court's judgment dated 17 November 2004 in light of legal advice obtained.

On 6 January 2005, the Judge of the Enforcement Tribunal of the Intermediate Court handed down an order dated 23 December 2004 stating that the action under the Hongxin Enforcement Notice instigated by Shijidadao SRCC be suspended in light of the Hongxin SOC. However, when we sought further clarification on the aforesaid order, the Judge advised that the judgment dated 17 November 2004 on the Hongxin SOC should have become effective as the reason for the suspension of the Hongxin Enforcement Notice no longer existed.

On 7 March 2005, the Intermediate Court issued an enforcement resumption notice to Hongxin and fixed a date for a hearing on 14 March 2005.

At the hearing on 14 March 2005, the Intermediate Court indicated that the enforcement procedure would commence immediately.

Hongxin continues to own the land at Wuzhong Road but will lose its ownership if the enforcement action against Hongxin is completed.

We are currently unable to determine whether there are any other contingent liabilities pursuant to the enforcement action. Based on the information available to us so far, there is no information indicating that the Company has provided any guarantee for the Hongxin Purported Loan or that Shijidadao SRCC has any recourse against the Company in respect of the Hongxin Purported Loan.

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

7. Actions relating to Bowyer

On 30 July 2004, Bowyer made two applications to the Shanghai Arbitration Tribunal (上海仲裁委員會) (the "SAT") to:

- seek an order that (i) the agency agreements dated 11 April 2001 and 31 December 2002 entered into between Bowyer and Shanghai Nongkai regarding the appointment of Shanghai Nongkai as Bowyer's agent on all matters relating to the leasing of Bowyer's investment properties in Jun Ling Plaza be terminated; (ii) all rental proceeds and relevant sums received by Shanghai Nongkai on behalf of Bowyer be repaid; (iii) all tenancy agreements and relevant documents be returned; and (iv) Shanghai Nongkai be precluded from receiving rental income from the properties (the "Arbitration Application"); and
- freeze Shanghai Nongkai's assets up to an amount of RMB4,288,173.61 (the "Asset Preservation Application") representing monies relating to the leasing of Bowyer's properties yet to be returned to Bowyer.

On 2 August 2004, the SAT accepted the Arbitration Application and the Asset Preservation Application.

On 3 August 2004, Bowyer filed the Asset Preservation Application with the Shanghai Second Intermediate Court (上海市第二中級人民法院) (the "Second Intermediate Court") and the application was accepted on the same day.

On 4 August 2004, two orders regarding the Asset Preservation Application were made by the Second Intermediate Court as follows:

- (i) monies in the sum of RMB4,288,173.61 in Shanghai Nongkai's bank accounts or assets of Shanghai Nongkai of equivalent value be frozen immediately; and
- (ii) three office units of Jun Ling Plaza owned by Bowyer be preserved immediately as security placed with the Second Intermediate Court for the Asset Preservation Application.

On 25 August 2004, enforcement notices were issued by the SAT to the tenants of Bowyer notifying the tenants to freeze rental payments to Shanghai Nongkai.

At the hearing on 18 October 2004, Shanghai Nongkai disputed whether the SAT had jurisdiction over disputes arising from the agency agreement dated 31 December 2002. The SAT ruled that it is empowered to hear disputes in relation to the agency agreement dated 11 April 2001 and the agency agreement dated 31 December 2002 cannot be deemed as a replacement of the agency agreement dated 11 April 2001. Shanghai Nongkai had one week from 18 October 2004 to submit their written objection to the SAT's ruling to continue to hear the dispute. The hearing on 18 October 2004 was therefore adjourned.

On 22 November 2004, the SAT overruled Shanghai Nongkai's objection to its empowerment to hear the dispute and the next hearing is fixed for 27 December 2004.

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

7. Actions relating to Bowyer *(Continued)*

At the hearing on 27 December 2004, Bowyer and Shanghai Nongkai brought the dispute before SAT. SAT reserved the arbitration order to be issued at a future date.

On 28 February 2005, SAT issued the arbitration order in favour of Bowyer, ruling that, among other things, the agency agreement dated 11 April 2001 between Bowyer and Shanghai Nongkai be terminated and Shanghai Nongkai ceased to act as the agent for Bowyer in relation to the leasing of properties; and Shanghai Nongkai to pay Bowyer, within fifteen days from the date of the order, the amount of RMB4,288,173.61 representing monies relating to the leasing of Bowyer's properties for the period from 1 May 2001 to 30 April 2004, arbitration fees of RMB51,104 and asset preservation fees of RMB21,961.

As at the date of this report, Shanghai Nongkai has not made any of the payments specified in the order. We are liaising with our PRC lawyers to consider further legal options in this respect.

8. PRC recovery actions

On 19 July 2003, we applied to the High People's Court to commence legal proceedings against various recipients, including Fuyou, Shanghai Mechanic International Trading Limited (上海機械國際貿易有限公司) ("Shanghai Mechanic") and Huatip, for the recovery of advances made by Hongxin and Longbai.

(i) *Deposit and advance to Fuyou*

Hongxin placed a deposit of RMB44,500,000 with Fuyou on 19 May 2003 for a period of 1 year, maturing on 18 May 2004, purportedly for the acquisition of the PRC government bonds and relevant investments to be managed by Fuyou. Interest is payable at 6.5% per annum on the maturity of the deposit. Despite numerous demands made by Hongxin, Fuyou failed to repay the principal and interest to Hongxin.

Longbai advanced RMB347,000,000 to Fuyou on 29 April 2003. On 19 July 2003, we commenced legal action in the High People's Court for the recovery of the advance to Fuyou. On 9 February 2004, we met with Fuyou's representative to demand repayment of the amount due to Longbai and, in addition, RMB44,500,000 being the amount due to Hongxin.

In July 2004, the High People's Court advised that the application to commence legal proceedings for the recovery of RMB347,000,000 against Fuyou and any further claims should be made to the Intermediate Court by the Company on behalf of Hongxin and Longbai. We are now assessing our legal options in this respect.

(ii) *Advance to Shanghai Mechanic*

On 30 May 2003, Hongxin advanced a sum of RMB222,910,000 to Shanghai Mechanic. On 30 January 2004, we demanded Shanghai Mechanic to repay the advance to Hongxin but received no response to date. On 19 July 2003, we commenced legal proceedings in the High People's Court against Shanghai Mechanic.

In July 2004, the High People's Court advised that the application to commence legal proceedings for any claims against Shanghai Mechanic should be made to the Intermediate Court by the Company on behalf of Hongxin. We are now assessing our legal options in this respect.

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

8. PRC recovery actions *(Continued)*

(iii) Advance to Huatip

Pursuant to a loan agreement dated 13 May 2003, Hongxin advanced a sum of RMB300,000,000 to Huatip. The loan together with interest at 10% per annum was repayable on 11 July 2003. Huatip failed to make any repayment.

On 19 July 2003, we commenced legal proceeding in the High People's Court against Huatip. On 30 January 2004, we demanded Huatip to repay RMB300,000,000 due to Hongxin but received no response to date.

In July 2004, the High People's Court advised that the application to commence legal proceedings for any claims against Huatip should be made to the Intermediate Court by the Company on behalf of Hongxin. We are now assessing our legal options in this respect.

9. Appointment and resignation of Directors

On 18 December 2003, a number of the Company's Directors received a notice proposing to convene a Board meeting on 19 December 2003. According to the notice, the purpose of the Board meeting was to consider and appoint Mr. Zhou Zhen Ming, Mr. Chau's brother, as an alternate Director for Mr. Chau, and appoint three additional Directors. The notice was not served on us. The Board meeting was then adjourned to 22 December 2003. On 22 December 2003, a Court order (the "December 2003 Order") was obtained to prevent the Board or any of its Directors under Articles 95, 96(A) and 108 of the then Company's memorandum and articles of association from appointing new or alternate Directors. A copy of the Court order was provided to each Director. As a result no Board resolution was passed on 22 December 2003 and no alternate or additional Directors were appointed.

Mr. Ho Yau Hoo, Ronald was appointed as the Company's new Independent Non-Executive Director ("INED") at a Board meeting held on 28 September 2004. Mr. Ho's appointment was proposed by one of the INEDs of the Company and approved by us pursuant to the December 2003 Order. He was also appointed as an Audit Committee member of the Company.

Mr. Shan Zhenglin tendered his resignation as an Executive Director effective from 3 November 2004.

Mr. Liu Lit Man tendered his resignation as an INED and Audit Committee member effective from 11 November 2004. After his resignation, the Company has only two INEDs and the number of Audit Committee member was reduced to two. This does not meet with the requirement of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company is required to appoint at least one new INED to meet the minimum requirement of three INEDs within three months of the effective date of Mr. Liu Lit Man's resignation, i.e. by 10 February 2005, and also to meet the minimum requirement of three Audit Committee members.

In November 2004, shortly following the resignation of Mr. Liu Lit Man, Mr. Ho Yau Hoo, Ronald requested the Company Secretary to convene a board meeting to consider the appointment of a third INED and an additional member of the Audit Committee to replace Mr. Liu Lit Man in compliance with the Listing Rules. A Board meeting was held on 1 December 2004.

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

9. Appointment and resignation of Directors *(Continued)*

At the Board meeting on 1 December 2004, the Board resolved, by a majority of the votes of the Directors present at the meeting, to nominate for appointment a candidate as an INED of the Company and resolved, by a majority of the votes of the Directors present at the meeting, to nominate for appointment three candidates as Executive Directors of the Company. The appointments of Directors of the Company are subject to the approval of the Court or the Receivers pursuant to the December 2003 Order.

The 2004 Annual General Meeting of the Company was adjourned to 4 February 2005 (“Adjourned AGM”), and we had intended to hold an Extraordinary General Meeting (“EGM”) immediately after the Adjourned AGM on 4 February 2005 to appoint INED(s) to meet the requirement of the Listing Rules.

Accordingly, a notice of an EGM to be held on 4 February 2005 was issued on 19 January 2005. The nominations of three candidates for the appointment of INED(s) were put forward for consideration at the EGM so as to give the shareholders more choices of candidates.

Mr. Jiang Dong Liang (“Mr Jiang”), an Executive Director, objected to the convening of the EGM to appoint INED and further objected to the nomination of two of the candidates for the appointment of INED. Mr. Jiang, through his lawyers, demanded that the notice of the EGM be withdrawn and threatened to apply to the Court forthwith for relief, including injunctive relief if we did not comply with his demand.

In the circumstances and in order to avoid incurring unnecessary costs in contentious proceedings to challenge the legal basis for us to act, an announcement was made on 24 January 2005 to withdraw the notice of the EGM as a result of the objection from Mr. Jiang.

We are in the process of obtaining directions from the Court as to whether we are empowered to nominate candidates for the consideration of shareholders at general meetings.

At the Adjourned AGM held on 4 February 2005, the motion in relation to the re-election of Ms. Gong Bei Ying (“Ms. Gong”) as a Director of the Company was voted down by the shareholders present at the Adjourned AGM. Accordingly, Ms. Gong ceased to be a Director of the Company effective from the conclusion of the Adjourned AGM held on 4 February 2005.

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

10. Legal actions

- (a) *Action to recover US\$34,200,000 from Mr. Chau under High Court Action No. 2704 of 2003*

Legal proceedings commenced for and on behalf of the Company against, among others, Mr. Chau for the recovery of certain misappropriated funds. A writ of Summons was filed by the Company with the Court on 23 July 2003 to claim a sum of US\$34,200,000 against Mr. Chau and others being funds transferred from the Company's bank accounts to bank accounts of the Company's subsidiaries. These funds were further funnelled to third parties outside of the Group believed to be connected to Mr. Chau without the authority or approval of the Company. On 21 August 2003, the Company obtained a judgment in default against Mr. Chau in the amount of the judgment debt of US\$34,200,000 plus interest (the "Default Judgment").

Consequently and pursuant to an order made by the Honourable Mr. Justice Sakhrani on 28 August 2003 (the "28 August 2003 Order"), we were appointed by the Court as the joint and several receivers of specified assets, as referred to in the 28 August 2003 Order, belonging to Mr. Chau in Hong Kong or elsewhere ("Chau's Assets"). We were empowered to take into our control Chau's Assets with powers to manage the same in order to preserve the value thereof and to apply the same in satisfaction of the Default Judgment.

On 11 September 2003, a firm of solicitors (the "Solicitors") purporting to be acting for Mr. Chau filed a Notice to Act with the Court.

On 29 September 2003, the Solicitors applied to the Court to set aside the Default Judgment and to vacate the 28 August 2003 Order appointing us as the joint and several receivers of Chau's Assets ("Chau's Application").

On 10 October 2003, the Company applied to set aside the Solicitors' Notice to Act and Chau's Application (the "Company's Application").

On 5 November 2003, the Court ordered (the "5 November Order") that Chau's Application would not be heard until after the final determination by the Court of the Company's Application.

On 8 January 2004, the Solicitors' appeal against the 5 November Order was heard by the Court, however, the Court upheld the 5 November Order.

On 8 April 2004, Sun Hung Kai Investment Services Limited ("SHKIS") applied to join itself as a defendant to the action on the basis that it is a judgment creditor of Mr. Chau. SHKIS's application was dismissed by the Court on 12 July 2004.

Since October 2003, we continued to challenge the authority of the Solicitors to act for Mr. Chau. However, in June 2004, the Solicitors provided new evidence to substantiate their appointment as Mr. Chau's solicitors.

On 14 July 2004, the Solicitors filed a fresh Notice to Act for Mr. Chau (without prejudice to the one filed on 11 September 2003). Although we had since been advised not to challenge the Solicitors' authority to act for Mr. Chau based on the new evidence provided by the Solicitors, we maintained that the Solicitors did not have authority to act for Mr. Chau during the period from 11 September 2003 to 13 July 2004.

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

10. Legal actions *(Continued)*

(a) *Action to recover US\$34,200,000 from Mr. Chau under High Court Action No. 2704 of 2003 (Continued)*

On 15 July 2004, the Solicitors filed a fresh Summons for setting aside the Default Judgment and the 28 August 2003 Order (without prejudice to the one filed on 29 September 2003). This Summons was to be heard on 18 October 2004.

On 1 September 2004, we filed a Statement of Claim in the action without prejudice to the Default Judgment and the fresh Summons for setting aside the Default Judgment and the 28 August 2003 Order.

On 13 September 2004, the Solicitors took out an application for a declaration that the Writ of Summons and the Statement of Claim had not been duly served on Mr. Chau as he was out of Hong Kong and for an order that the Default Judgment and the 28 August 2003 Order be set aside. The application was to be heard in January 2005.

On 22 September 2004, we applied for a Mareva Injunction order against Mr. Chau and an appointment of us as receivers in aid of the Mareva Injunction order to be granted. The application was scheduled to be heard together with the fresh Summons for setting aside the Default Judgment and the 28 August 2003 Order on 18 October 2004.

At the hearing on 18 October 2004, the Court gave further directions and adjourned the hearing to 10 November 2004. At the four-day hearing commenced on 10 November 2004, the Court ordered, among other things, that the Default Judgment be set aside and our appointment as the joint and several receivers of Chau's Assets be discharged but the discharge should not take effect until the adjourned hearing scheduled for 21 February 2005 (the "February 2005 Hearing") and that no steps were to be taken on Chau's Assets until further order.

At the February 2005 Hearing, Mr. Justice Waung, on 25 February 2005, ordered that leave be granted to the Company to amend and serve the Writ of Summons filed on 23 July 2003 out of jurisdiction on Mr. Chau and the service of the amended Writ of Summons be dispensed with. Leave is also granted to the Company to amend the Statement of Claim within twenty-one days from 25 February 2005.

On 3 March 2005, at the continuation of the February 2005 Hearing, Mr. Chau and Ms. Mo Yuk Ping ("Ms. Mo") gave their undertaking not to, without leave of the Court, sell, transfer and encumber certain assets as set out in the 28 August 2003 Order. Pursuant to the undertakings, Mr. Justice Waung further ordered (the "March 2005 Order") by consent that,

- (i) no order be made in respect of the application on 22 September 2004 for a Mareva Injunction order against Mr. Chau and the appointment as receivers in aid of the Mareva Injunction;
- (ii) the discharge of our appointment as joint and several receivers of Chau's Assets pursuant to the 28 August 2003 Order shall take immediate effect;

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

10. Legal actions *(Continued)*

(a) *Action to recover US\$34,200,000 from Mr. Chau under High Court Action No. 2704 of 2003 (Continued)*

(iii) the costs of the Summons filed on 15 July 2004 by the Solicitors for setting aside the Default Judgment and the 28 August 2003 Order be adjourned to a date to be fixed; and

(iv) certain conditions being stipulated regarding High Court Action No. 200 of 2004.

Details of ruling regarding High Court Action No. 200 of 2004 are set out in 10(b) of this Statement.

(b) *Action against Sun Tai Cheung Credits Limited ("STCC"), SHKIS and Ms. Mo in relation to the disposal of Shun Loong Holdings Limited ("Shun Loong") under High Court Action No. 200 of 2004*

On 4 February 2004, in our capacity as receivers appointed by way of equitable execution over Chau's Assets and the directors of Shanghai Finance Holdings Limited ("Shanghai Finance") and with a view to preserving and securing the assets of Mr. Chau for the benefit of the Company as his judgment creditor, we caused Shanghai Finance, a company indirectly wholly-owned by Mr. Chau, to commence legal proceedings against STCC, SHKIS and Ms. Mo for disposal of Shun Loong, a company previously held by Shanghai Finance, at an undervalue.

STCC and SHKIS, on 25 February 2004, and Ms. Mo, on 27 March 2004, applied to strike out Shanghai Finance's claim. At a hearing on 18 October 2004, under High Court Action No. 2704 of 2003, Mr. Justice Waung made an order to stay all proceedings in this action and all applications made in the future shall be made before Mr. Justice Waung.

At the hearing before Mr. Justice Waung under High Court Action No. 2704 of 2003 which took place on 15 November 2004, Shun Loong and Shun Loong Finance Limited (collectively "the Petitioners") agreed to refrain from taking further steps in the proceedings in the British Virgin Islands ("BVI") in relation to the winding-up petition against Shanghai Finance subject to certain conditions.

On 3 March 2005, at the February 2005 Hearing under High Court Action No. 2704 of 2003, Mr. Justice Waung ordered, among other things, that the order made on 18 October 2004 to stay all proceedings under High Court Action No. 200 of 2004 is to continue until the final resolution of High Court Action No. 2704 of 2003. In the event that the Petitioners take any step in the BVI proceedings in relation to the winding-up petition against Shanghai Finance, we shall, without any further application or order to be made by the Court, be appointed as the joint and several receivers of Shanghai Finance (the "Shanghai Finance Receivers"), and take such steps as may be necessary to appear in and contest the proceedings against the Petitioners; and the stay of proceedings in High Court Action No. 200 of 2004 against STCC and SHKIS, but not Ms. Mo, will be lifted and the Shanghai Finance Receivers can continue the claim against STCC and SHKIS.

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

10. Legal actions *(Continued)*

(c) Libel action against the Company and other parties

On 5 February 2004, we made a public announcement in respect of the legal proceedings commenced by us in High Court Action No. 200 of 2004 on behalf of Shanghai Finance to maximise the recovery of the debt under the Default Judgment. In response to the announcement, Sun Hung Kai & Co. Limited (“SHK”), STCC and SHKIS instituted a libel action against us, the Company and two newspaper publishers on 7 February 2004. Together with the Company, we filed a Defence on 2 April 2004 and SHK, STCC and SHKIS filed a Reply on 30 April 2004. No further steps were taken by SHK, STCC and SHKIS in that action since then.

(d) Action to recover HK\$53,157,294 from Great Center Limited (“Great Center”)

A writ of summons was filed by the Company with the Court on 17 July 2003 to claim HK\$53,157,294 against Great Center, being money received by Great Center on 4 April 2003 which belonged to the Company. Great Center did not file any notice of intention to defend the legal proceedings within the specified time and the Company obtained judgment in default on 5 August 2003 in the amount of HK\$53,157,294 plus interest. Consequently, we were appointed as the joint and several provisional liquidators of Great Center on 20 August 2003 by the BVI High Courts.

Pursuant to a winding up order dated 5 November 2003, the BVI High Court ordered that Great Center be wound up pursuant to the BVI laws. We were appointed jointly and severally as Great Center’s official liquidators on the same day.

According to available information, Great Center’s only asset consists of a bank deposit of US\$4,500,000. In the press announcement dated 2 July 2003 made by the former receivers and managers of Shanghai Merchants Holdings Limited (“Shanghai Merchants”), Great Center was restricted from, inter alia, disposing of or otherwise dealing with or diminishing the value of its assets pursuant to an injunction order obtained from the Court by Shanghai Merchants (the “Injunction Order”). The Injunction Order is still valid as of the date of this report.

The former receivers and managers of Shanghai Merchants were discharged by the Court on 19 May 2004 and by the Supreme Court of Bermuda on 2 July 2004.

We are in the process of negotiating with the new management of Shanghai Merchants over the bank deposit in satisfaction of the Company’s judgment against Great Center.

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

10. Legal actions *(Continued)*

(e) Action to recover outstanding rent from Shun Loong

Profitex Investments Limited (“Profitex”), an indirect wholly-owned subsidiary of the Company, claimed against Shun Loong for arrears of rent and other expenses under High Court Action No. 3868 of 2003.

On 18 March 2004, Profitex obtained a summary judgment against Shun Loong for the sum of HK\$2,378,000 plus interest and costs representing outstanding rent and charges owed by Shun Loong to Profitex for the period from June to October 2003 in relation to the premises leased by Profitex at 67th Floor, The Center, 99 Queen’s Road Central, Hong Kong (the “Summary Judgment”). An appeal against the Summary Judgment was filed by Shun Loong but was subsequently abandoned.

On 16 April 2004, Shun Loong applied to the Court (“Shun Loong’s Application”) for an injunction to restrain Profitex from presenting a winding-up petition against Shun Loong based on the Summary Judgment. Shun Loong’s Application was dismissed by the Court on 23 April 2004.

On 10 May 2004, Shun Loong, after withdrawing its appeal against the Summary Judgment, settled the judgment sum.

On 25 May 2004, Shun Loong filed an Originating Summons under High Court Miscellaneous Proceedings No. 1307 seeking declaratory reliefs against 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. On 13 September 2004, Profitex filed an affirmation in opposition to the Originating Summons and the date for the hearing of the Originating Summons was scheduled to be held on 11 January 2005.

At the hearing on 11 January 2005, it was ordered that the Originating Summons be set down for argument by Counsel before a Judge in open court on a date to be fixed. Hearing is now scheduled for 29 September 2005.

Rent and other expenses from November 2003 up to the balance sheet date amounting to approximately HK\$5,896,000 remains outstanding and unpaid.

(f) Further potential claims

We are considering the commencement of other legal actions concerning the acquisition of Hongxin, Longbai and Bowyer and certain fund transfers by the Group.

Statement from the Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

11. Maximising the Value of the Company

Upon seeking further advice from senior counsel, we consider that the loan assignment proposal (as stated in the Company's announcement dated 13 October 2003 and the annual report for the year ended 30 June 2003) was not feasible and should not be pursued.

We have been seeking legal and financial advice on various proposals to maximise the value of the Company. We are obliged to report to the Court on this issue and will inform shareholders of further details upon obtaining approval from the Court.

In addition, we are aware that various parties have expressed their interests in acquiring the issued share capital of the Company, but none has proceeded to the extent that an announcement can be made to the shareholders.

12. Possible Sale of Shares in the Company by New Nongkai Global Investments Limited (Receivers and Managers Appointed) ("New Nongkai")

The joint and several receivers and managers of New Nongkai, Messrs. Kennic L.H. Lui and Ruby M.Y. Leung (the "New Nongkai Receivers") issued an announcement dated 25 June 2003 that they intended to enter into discussions with various parties who had expressed, or might express, an interest in acquiring the 2,288,521,317 shares representing approximately 75% of the Company's issued share capital beneficially owned by New Nongkai. If a sale of all or some of such shares does take place, it is possible that such sale may result in the purchaser(s) making a general offer for all of the Company's issued shares pursuant to Rule 26 of the Code on Takeovers and Mergers. The New Nongkai Receivers further announced on 25 July 2003 that on 23 July 2003 they had dispatched an invitation to make a preliminary offer on a non-binding basis for all the Company's shares beneficially owned by New Nongkai to a wide selection of potentially interested parties. Since then they have issued a series of further announcements, the latest of which dated 10 November 2004 stated that discussions with parties potentially interested in purchasing the 2,288,521,317 shares in the Company held by New Nongkai had been suspended due to the difficulties encountered in arriving at a mutually satisfactory basis for an offer.

For and on behalf of
Shanghai Land Holdings Limited
(Receivers Appointed)

Stephen Liu Yiu Keung
Yeo Boon Ann
Joint and Several Receivers

Hong Kong, 22 March 2005