

# Statement from Receivers

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We hereby present the annual report (“Annual Report”) of Shanghai Land Holdings Limited (Receivers Appointed) (the “Company”) and its subsidiaries (collectively the “Group”) for the financial year ended 30 June 2003.

In view of the uncertainties caused by the reported arrest of the Chairman of the Company, Mr. Chau Ching Ngai (“Mr. Chau”), the Board of Directors of the Company (the “Board”) placed the Company into receivership pursuant to an order granted by the High Court of Hong Kong on 7 June 2003.

## APPOINTMENT OF JOINT AND SEVERAL RECEIVERS

During late May 2003, it was widely reported in the press in Hong Kong that Mr. Chau, the Chairman and the beneficial controlling shareholder of the Company, had been arrested in the People’s Republic of China (the “PRC”). It was also reported that an investigation was being conducted by the Independent Commission Against Corruption (the “ICAC”) of Hong Kong on Madam Mo Yuk Ping, the general manager of the Company and the ex-director of certain subsidiaries of the Company. Trading in the shares of the Company was suspended with effect from 2 June 2003 and will remain suspended until further announcement. Between 25 May 2003 and 5 June 2003, the remaining Board members were informed that Shanghai Hongxin Real Estate Development Company Limited (上海宏興房地產發展有限公司) (“Hongxin”) and Shanghai Yihe Longbai Hotel Limited (上海逸和龍柏飯店有限公司) (“Longbai”), two PRC wholly-owned subsidiaries of the Company, were engaged in two purported loan transactions in the PRC. These transactions involved the two subsidiaries purportedly borrowing an aggregate amount of RMB650,000,000 and then depositing and/or advancing funds largely equivalent to the purported loans to two PRC entities.

The Board considered that all these incidents constituted an obvious damaging risk to the businesses of the Group. Therefore, at a meeting held on 6 June 2003 the Board resolved to apply to the High Court of Hong Kong for the appointment of receivers of the Company to take all appropriate actions, among other things, to preserve the assets of the Company, to carry on its businesses and to do all such other things as reasonably necessary for the purpose of protecting the value of the Company’s assets and its businesses.

On 7 June 2003, the High Court of Hong Kong granted an order (the “Order”) that We, Stephen Liu Yiu Keung and Yeo Boon Ann, both of Ernst & Young Transactions Limited, be appointed jointly and severally as the 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 financial statements for the year ended 30 June 2003 with all the necessary disclosures and to meet the deadline imposed by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) for the publication of such financial statements.

# Statement from Receivers *(Continued)*

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## DISCLAIMER OF LIABILITIES *(Continued)*

We were appointed on 7 June 2003 and do not have detailed knowledge of the financial and operational affairs of the Group, particularly, in relation to transactions entered into by the Group prior to our appointment. The books and records of the Group in Hong Kong have been seized by the ICAC for the purpose of conducting its investigation. Furthermore, certain original documents of Longbai are not available and we have only had limited access to the books and records of Hongxin, both wholly-owned subsidiaries of the Company. Such documents and records are currently kept by Shanghai Nongkai Development Group Limited (上海農凱發展(集團)有限公司) (“Shanghai Nongkai”) in the PRC. We are in the process of gathering information on the Group from various sources including the ICAC. Notwithstanding our continued efforts in ascertaining the affairs of the Group, we did not have access to all the necessary books and records to prepare accurate and complete financial statements for the Group.

As such, we are unable to give an unqualified representation that all transactions affecting the Group during the year ended 30 June 2003 have been included in the financial statements and also as to whether the financial statements present a true and fair view of the Group’s operations and the cash flows for the year ended 30 June 2003 and financial position as at 30 June 2003. We therefore disclaim any liabilities in respect of the financial statements of the Group in relation to the affairs of the Group for the year ended 30 June 2003.

Shareholders and other users are reminded to read the Annual Report with extreme caution.

## GENERAL OVERVIEW

### 1. Summary of Work Done by the Receivers

Pursuant to our appointment, we have taken numerous actions to secure and safeguard the assets of the Company, including the following:

- Freezing the bank accounts of the Group and recovering the cash balances of certain accounts;
- Securing the office premises and assets of the Company;
- Securing the books and records of the Company and certain subsidiaries, whenever possible;
- Liaising with the ICAC on various issues including obtaining copies of the books and records of the Group seized by the ICAC;
- Maintaining day-to-day operations of the Group;
- Investigating the purported loan transactions in the PRC and possible unreported connected transactions;
- Preparing and publishing various public announcements on major developments involving the Company;
- Assisting in the issuance of the Group’s Annual Report;

# Statement from Receivers *(Continued)*

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## GENERAL OVERVIEW *(Continued)*

### 1. Summary of Work Done by the Receivers *(Continued)*

- Instructing and liaising with solicitors and counsels, making the necessary submissions to the relevant courts and attending the related hearings on numerous legal actions and matters in Hong Kong, the PRC and the British Virgin Islands (“BVI”);
- Appointing and liaising with financial advisors to formulate a proposal to maximise the value of the Company for the benefit of its shareholders and creditors, if any, generally; and
- Dealing with the relevant PRC authorities to secure management control over Hongxin and Longbai.

### 2. Legal Actions

- (a) We have commenced legal proceedings 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 in the High Court of Hong Kong (the “Court”) on 23 July 2003 to claim US\$34,200,000 from, among others, Mr. Chau, being money which the Company claims Mr. Chau and others between 22 April 2003 and 30 May 2003 wrongfully misappropriated for their own use and purpose or transferred from the bank accounts of the Company to some third parties through the bank accounts of the Company’s subsidiaries without the authority or approval of the Company. On 21 August 2003, the Company obtained judgment in default against Mr. Chau (the “Judgment”) in the amount of US\$34,200,000 (equivalent to HK\$266,760,000) plus interest (the “Judgment Debt”).
- (b) As a consequence and pursuant to an order of the Court granted on 28 August 2003 (the “August Order”), we were appointed as the joint and several receivers (“Chau’s Receivers”) of specified assets, as referred to in the August Order, belonging to Mr. Chau in Hong Kong or elsewhere (“Chau’s Assets”). We are 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 Judgment Debt. A firm of solicitors (the “Solicitors”), purporting to be acting for Mr. Chau, filed a copy of the notice to act in the Court on 11 September 2003 and is seeking to set aside the Judgment and to vacate the August Order (“Chau’s Application”), which will be heard on 18 November 2003. In connection with Chau’s Application, the Company through us applied to the Court for an order to set aside the notice to act by the Solicitors as well as Chau’s Application. The Company’s application is scheduled to be heard by the Court on 5 November 2003. Apart from this, on 10 October 2003, the Solicitors applied to the Court for an order that we, being Chau’s Receivers, be directed not to, without the leave of the Court and pending the final determination of Chau’s Application, effect or cause or allow or allow to effect any sale or disposition of any of the shares of the companies listed in the August Order (as Chau’s Assets) and other assets of Mr. Chau, the market value of which exceeds HK\$20,000. The Court granted an order on 15 October 2003 pursuant to which we (in the capacity of Chau’s Receivers) are required to give seven days’ notice to the Solicitors of any intended application to the Court to approve any intended sale or disposal of Chau’s Assets. The order is valid until Chau’s Application is dealt with or a further order is made by the Court.
- (c) The Company, through us, has also commenced legal proceedings against Great Center Limited (“GCL”), a company incorporated in the BVI. A writ of summons was filed by the Company in the Court on 17 July 2003 to claim HK\$53,157,294 from GCL, being money received by GCL on 4 April 2003 which belongs to the Company. As GCL failed to file any notice of intention to defend the legal proceedings within the time allotted, the Company obtained judgment in default against GCL 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 GCL on 20 August 2003 by the High Court of the BVI.
- (d) Profitex Investments Limited (“Profitex”), a wholly-owned subsidiary of the Company, has commenced legal proceedings against Shun Loong Holdings Limited (“Shun Loong”). A writ of summons was filed by Profitex in the Court on 17 October 2003 to claim an aggregate sum of HK\$2,214,769 from Shun Loong for rent in arrears, air-conditioning, management and electricity charges and other payments outstanding as of 30 September 2003 for its breach of the sub-tenancy agreement entered into with Profitex on 23 May 2003.

# Statement from Receivers *(Continued)*

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## GENERAL OVERVIEW *(Continued)*

### 2. Legal actions *(Continued)*

- (e) The Company, through us, has applied to the Higher Court of Shanghai, the PRC (上海市高級人民法院), to commence legal proceedings against various recipients who received funds of approximately RMB914,400,000 from Hongxin and Longbai. The Higher Court of Shanghai, the PRC, is processing the Company's applications.
- (f) The Company, through us, has also lodged police reports with the Police Department of Shanghai, the PRC, against the legal representatives of Hongxin and Longbai. The Police Department of Shanghai, the PRC, is processing these reports.

### 3. Other actions

The Company, through us, has applied to the Shanghai Administrative Bureau for Industry and Commerce, the PRC (上海市工商行政管理局), (the "Shanghai AIC") to replace the board of directors of Hongxin and Longbai and their respective legal representatives. The Shanghai AIC is processing the applications.

Since the change of the controlling shareholder of the Company in June 2002, the Company has acquired a number of companies holding property interests in the PRC as described in the section headed "Review of Activities" in the Directors' Report. We are currently in the process of investigating such acquisitions with a view to, among other things, ascertaining whether such transactions may have constituted connected transactions for the Company for the purposes of the Listing Rules.

### 4. Maximising the Value of the Company

We are considering all feasible options to maximise the value of the Company for the benefit of its shareholders and creditors, if any, generally. The Company, through us, engaged a firm of financial advisors, which is independent from us and the Company, to assist the Company in deciding what actions to take to maximise the value of the Company in this regard.

Chau's Assets include Mr. Chau's direct beneficial interest in New Nongkai Global Investments Limited (Joint and Several Receivers and Managers Appointed) ("New Nongkai") and indirect beneficial interest in approximately 75% of the Company's issued share capital which New Nongkai has charged to Bank of China (Hong Kong) Limited ("BOCHK") as security for the loan extended by BOCHK to New Nongkai (the "Loan"). Since Chau's Receivers' appointment, we, being Chau's Receivers, have taken steps to control Chau's Assets and to manage such assets in order to preserve the value thereof and to apply the same in satisfaction of the Judgment Debt. In order to assess the value of New Nongkai, we, in our capacity as Chau's Receivers, have obtained the loan and ancillary documents in relation to the Loan with a view to ascertaining, among other things, the amount of the default interest which may be charged on the Loan. Based on the loan documents, BOCHK has the right to charge default interest on the overdue amount in respect of the Loan from the time it went into default at 6% over the prime lending rate per annum. Based on the notice of default dated 3 June 2003 sent to New Nongkai by BOCHK's legal advisors, the outstanding principal amount of the Loan and the accrued interest as at that date amounted to approximately HK\$741,000,000 and approximately HK\$5,000,000 respectively. The continuing accrual of the default interest will seriously diminish the value of New Nongkai. As the Company has claims over Chau's Assets on the basis of the Judgment Debt, we are of the view that the diminution of the value of New Nongkai may reduce the amount of money which the Company may be able to recover from Mr. Chau. This would lead to the diminution of the value of the Company and thus not be in the interests of the shareholders of the Company. In this regard, we have formulated a preliminary proposal which involves, in broad terms, the Company taking an assignment of the Loan and subsequently selling New Nongkai's controlling shareholding in the Company (which may or may not be combined with proposing a special cash distribution to all shareholders of the Company). We consider that the loan assignment can effectively stop the diminution of the value of New Nongkai resulting from the accrual of the default interest, thus preserving the value of New Nongkai for the benefit of the Company. The loan assignment will only be implemented after (and subject to) agreement of the terms of the loan assignment with BOCHK following determination of and compliance with all applicable rules and regulations and with the final approval of the Court. The implementation of the loan assignment and our preliminary proposal are subject to a number of uncertainties and therefore may or may not proceed.

# Statement from Receivers *(Continued)*

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## GENERAL OVERVIEW *(Continued)*

### 4. Maximising the Value of the Company *(Continued)*

In addition, we, and as Chau's Receivers and the provisional liquidators of GCL, are investigating suspicious fund flows among the Company, certain companies listed in the August Order (as Chau's Assets) and GCL in order to maximise recoveries for the Company.

### 5. Possible Sale of Shares in the Company by New Nongkai

According to the press announcements issued by the receivers and managers of New Nongkai ("New Nongkai's Receivers") dated 25 June 2003, 26 June 2003, 25 July 2003, 26 August 2003 and 2 October 2003, the New Nongkai's Receivers have entered into discussions with parties who have expressed an interest in acquiring the 2,288,521,317 ordinary shares representing approximately 75% of the issued share capital of the Company beneficially owned by New Nongkai. At the time of this report, the sale of New Nongkai's shares in the Company has not taken place. 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 in accordance with the Code on Takeovers and Mergers (the "Takeovers Code").

## OUTLOOK

As outlined above, we are considering all feasible options to maximise the value of the Company for the benefit of its shareholders and creditors, if any, generally. At this juncture, we are not in a position to determine when the receivership will conclude but we have already made a preliminary proposal as referred to in paragraph 4 above.

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

**Stephen Liu Yiu Keung**  
**Yeo Boon Ann**  
*Joint and Several Receivers*