

Statement from 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 2003.

GENERAL BACKGROUND

On 7 June 2003, due to the uncertainties caused by the reported arrest of the Company’s Chairman, Mr. Chau Ching Ngai (“Mr. Chau”), 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, 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 unaudited consolidated financial statements of the Group for the six months ended 31 December 2003.

Despite our efforts in ascertaining the affairs of the Group, we have only had limited access to the books and records of Shanghai Hongxin Real Estate Development Company Limited (上海宏興房地產發展有限公司) (“Hongxin”) and Bowyer Profits Limited (“Bowyer”). In addition, certain original documents of Shanghai Yihe Longbai Hotel Limited (上海逸和龍柏酒店有限公司) (formerly known as 上海逸和龍柏飯店有限公司) (“Longbai”) are not available. Hongxin, Bowyer and Longbai are indirect wholly owned subsidiaries of the Company. As such, we do not have full access to all the books and records necessary to prepare accurate and complete financial statements for the Group.

In light of the above, we are unable to give an unqualified representation that all transactions affecting the Group during the six months ended 31 December 2003 have been included in the interim financial report and also as to 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 2003 and the Group’s financial position as at that date. We therefore disclaim all 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 2003.

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

GENERAL OVERVIEW

We have taken numerous actions since 27 October 2003 (the date on which the Company’s annual report for the year ended 30 June 2003 was issued) to secure and safeguard the Company’s assets, including the following:

1. Change of legal representative for Longbai

On 16 December 2003, the Shanghai Administrative Bureau for Industry and Commerce (上海市工商行政管理局) (“Shanghai AIC”) of the People’s Republic of China (the “PRC”) endorsed:

- the change of legal representative for Longbai to Mr. Yeo Boon Ann; and
- the appointment of the Receivers and Mr. Laurence Yegene Ip (an employee of our firm) as Longbai’s directors.

Following these endorsements, we have gained management control of Longbai. A number of our staff are currently stationed at Hotel Yihe Longbai Shanghai (上海逸和龍柏飯店) (“Hotel Longbai”) to supervise its operations on a full-time basis.

Statement from Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

1. Change of legal representative for Longbai *(Continued)*

Longbai's former legal representative refused to surrender to us Longbai's official seal, financial chop and certain original documents. As there was no other alternative, the arrangement until recently was that he would affix the appropriate chops on documents from time to time to maintain Longbai's/Hotel Longbai's operations.

Longbai's official seal and financial chops are vital for Longbai's/Hotel Longbai's daily operations. Accordingly, on 5 February 2004, after consulting with Shanghai Ministry of Public Security of Changnin District Branch (上海市長寧公安分局), 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. This enabled new chops to be made. On 16 February 2004, the Shanghai AIC issued the new business licence for Longbai reflecting the change of name. On 20 February 2004, Shanghai Ministry of Public Security of Changnin District Branch approved the making of new chops. The new chops were obtained on 23 February 2004 and Longbai's main banker only recently approved their use.

We understand that certain original licences and agreements of Longbai/Hotel Longbai may be kept by Shanghai Nongkai Development Group Limited (上海農凱發展(集團)有限公司) ("Shanghai Nongkai").

All these issues have caused a great deal of inconvenience and delays to us in carrying out our duties.

2. Change of legal representative for 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 is yet to surrender to us the books and records, official seal and financial chop. On 27 February 2004, we reported the matter to the Shanghai Ministry of Public Security of Huangpu District Branch (上海市黃浦公安分局) and have obtained approval to make a new official seal and financial chop. With the new official seal, we are in the process of securing Hongxin's assets.

We understand that Hongxin's books and records are currently kept by Shanghai Nongkai.

On 20 January 2003, when Hongxin's previous business licence was issued, Hongxin's registered and paid-up capital were both US\$16,700,000. However, according to a company search conducted on 12 June 2003 (five days after our appointment as the Receivers), Hongxin's registered capital had been increased to US\$30,000,000. The Shanghai AIC issued a new business licence in respect of Hongxin on 15 January 2004 following the change of the legal representative. The new business licence indicates that the registered capital is US\$30,000,000, of which only US\$16,700,000 has been paid up. The Shanghai AIC has advised that if Hongxin cannot pay up all the registered capital before 24 May 2004, the new business licence may be revoked. We are currently investigating the circumstances under which Hongxin's registered capital was increased and are liaising with the Shanghai AIC and the Shanghai Foreign Investment Commission in an attempt to restore the registered capital to US\$16,700,000. At this stage, it is uncertain whether Hongxin's registered capital can be restored to US\$16,700,000.

Statement from Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

3. Pursuing rent of Jun Ling Plaza

Pursuant to a management agreement dated 11 April 2001 between Bowyer and Shanghai Nongkai, Shanghai Nongkai was appointed as Bowyer's manager on all matters relating to the leasing of Bowyer's investment properties in Jun Ling Plaza. Pursuant to another agreement dated 31 December 2002 between Bowyer and Shanghai Nongkai, Shanghai Nongkai was appointed to act as Bowyer's trustee to receive income and pay expenses related to the investment properties in Jun Ling Plaza for the period from 31 December 2002 to 31 December 2004.

Shanghai Nongkai has failed to respond to the Company's and/or Bowyer's numerous demands to surrender rent and other receipts generated from the investment properties in Jun Ling Plaza. We are considering all possible means to pursue the rent and receipts held by Shanghai Nongkai.

4. Proposal to appoint additional 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 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 was obtained to prevent the Board or any of its directors under Articles 95, 96(A) and 108 of the Company's memorandum and articles of association from appointing new or alternate directors. A copy of the Court order was provided to each director. We understand that no Board resolution was passed on 22 December 2003 and no alternate or additional directors were appointed.

5. Legal actions

(a) Actions to recover US\$34,200,000 from Mr. Chau

On 29 September 2003, a firm of solicitors (the "Solicitors"), purportedly acting for Mr. Chau, applied to the Court ("Chau's Application") to:

- set aside the judgment dated 21 August 2003 obtained by the Company against Mr. Chau in the sum of US\$34,200,000 plus interest (the "Judgment Debt"); and
- vacate the order of the Court dated 28 August 2003 (the "Order") appointing us as the joint and several receivers of certain assets belonging to Mr. Chau.

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 ("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.

Statement from Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

5. Legal actions *(Continued)*

(a) *Actions to recover US\$34,200,000 from Mr. Chau (Continued)*

In addition, we have conducted substantial investigations of those assets belonging to Mr. Chau covered by the Order and have taken further legal proceedings to maximise the recovery of the Judgment Debt. On 5 February 2004, the Company, made a public announcement concerning such proceedings. In response to this announcement, Sun Hung Kai & Co. Limited, Sun Tai Cheung Credits Limited and Sun Hung Kai Investment Services Limited instituted a libel action against the Company and other parties. We have no duty to brief the Board on this libel action, hence we have not provided the Board with full details of the action.

(b) *Action to recover HK\$53,157,294 from Great Center Limited ("Great Center")*

Pursuant to a winding up order dated 5 November 2003, the British Virgin Islands ("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.

We are in the process of obtaining and perusing the records of Great Center and will consider all possible means to recover the judgment debt of HK\$53,157,294 plus interest against Great Center.

(c) *Action to recover outstanding rent from Shun Loong Holdings Limited ("Shun Loong")*

Profitex Investments Limited ("Profitex"), an indirect wholly owned subsidiary of the Company, is continuing its claim 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 judgment against Shun Loong for the sum of HK\$2,378,000 (as at 18 March 2004) plus further interest and costs. Shun Loong has lodged an appeal which is fixed to be heard on 19 May 2004.

6. 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) might not be feasible and should not be pursued. We are obliged to report to the Court on this issue and will inform the shareholders of further details upon obtaining approval from the Court. We have no duty to brief the Board on this issue; hence we have not provided the Board with full details of the proposal and the Board has not been involved in devising the proposal.

Statement from Receivers *(Continued)*

GENERAL OVERVIEW *(Continued)*

7. Possible sale of shares in the Company by New Nongkai Global Investments Limited (Joint and Several Receivers and Managers Appointed) (“New Nongkai”)

As stated in the announcement of New Nongkai dated 17 November 2003:

- discussions with parties potentially interested in purchasing all of New Nongkai’s 2,288,521,317 ordinary shares in the Company are continuing; and
- no exclusivity or binding agreements have been reached.

Since then, New Nongkai’s joint and several receivers and managers have made no further announcements in this regard.

OUTLOOK

As outlined above, we will continue to consider all feasible options to maximise the value of the Company for the benefit of its shareholders and creditors. At this juncture, we are not in a position to determine when the receivership will conclude.

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

Stephen Liu Yiu Keung
Yeo Boon Ann
Joint and Several Receivers

Hong Kong, 23 March 2004