Shanghai Land Holdings Limited

上 海 地 產 控 股 有 限 公 司

(Receivers Appointed)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 67)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2004

SUMMARY OF RESULTS

The joint and several receivers (the "Receivers") of Shanghai Land Holdings Limited (Receivers Appointed) (the "Company") announce that the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2004 together with the comparative figures for last year were as follows:

	Notes	**2004** ***HK$'000***	2003 *HK$'000* (Restated)
Turnover	*3*	**53,268**	15,106
Direct expenses		**(16,201)**	(5,452)
		37,067	9,654
Other revenue	*4*	**13,639**	27,971
Net foreign exchange gain/(loss)		**(836)**	687
Administrative expenses		**(92,403)**	(39,127)
Loss from operations	*5*	**(42,533)**	(815)
Finance costs	*7*	**(29,861)**	(2,716)

	Notes	2004 HK$'000	2003 HK$'000 (Restated)
Surplus/(deficit) on revaluation of investment properties		**1,965**	(12,360)
Deficit on revaluation of hotel properties		**(200,350)**	(111,500)
Impairment loss on property under development written back/(provided)		**71,325**	(136,925)
Amortisation of goodwill		**–**	(12,615)
Impairment loss on goodwill written back/(provided)		**10,000**	(79,487)
Loss from ordinary activities before taxation		**(189,454)**	(356,418)
Taxation	8	**31,161**	109,750
Loss attributable to shareholders		**(158,293)**	(246,668)
Basic loss per share	9	**(5.19) cents**	(8.08) cents
Dividend		**–**	–

Notes:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

a. *Qualified representation by the Receivers*

The Receivers have taken all reasonable steps and have used their best endeavours to prepare the Group's and the Company's financial statements for the year ended 30 June 2004. Despite their efforts in ascertaining the affairs of the Group, the Receivers 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 certain original documents of Shanghai Yihe Longbai Hotel Limited (上海逸和龍柏酒店有限公司) ("Longbai") as their former legal representatives and directors, who are known to be Mr. Chau Ching Ngai's ("Mr. Chau") associates, have been uncooperative.

The Receivers and their staff became the legal representatives and directors of Longbai and Hongxin on 16 December 2003 and 15 January 2004 respectively. In the course of the Receivers' investigations, they understand that such books and records and documents are currently kept by Shanghai Nongkai Development Group Limited (上海農凱發展(集團)有限公司) ("Shanghai Nongkai").

Hongxin's management accounts for the period from 1 July 2003 to 30 June 2004 are not available because the former legal representative and directors of Hongxin have failed to surrender Hongxin's books and records to the Receivers and their staff. Hongxin's management accounts were prepared according to the available bank statements obtained from various banks and the auditor of Hongxin is therefore unable to form an opinion on Hongxin's audited financial statements for the year ended 31 December 2003 and for the six months ended 30 June 2004.

As a consequence, the Receivers have been unable to satisfy themselves as to whether certain balances relating to Hongxin and Longbai have been properly accounted for in the financial statements.

Before the Receivers' appointment on 7 June 2003, Bowyer Profits Limited ("Bowyer") appointed Shanghai Nongkai as manager to act on its behalf for all matters relating to the leasing of its investment properties in Jun Ling Plaza including but not limited to receiving income and making payments of expenses related thereto. Shanghai Nongkai prepared monthly financial reports in respect of the leasing status and cash position of Bowyer's investment properties in Jun Ling Plaza.

In the March and April 2004 financial reports prepared by Shanghai Nongkai, the Receivers noticed that legal expenses of RMB4,180,000 have been recorded but not properly supported. Despite numerous requests by the Receivers, Shanghai Nongkai has failed to respond to queries raised by the Receivers and has failed to return the rental proceeds and other relevant records of Bowyer to the Receivers. However, a representative of Shanghai Nongkai has orally confirmed to the Receivers that the money has been used to settle legal fees incurred by Mr. Chau. The Receivers terminated the service of Shanghai Nongkai on 29 April 2004 and have appointed FPDSavills Property Services (Shanghai) Company Limited as the manager on 10 June 2004. The Receivers have taken out legal actions to recover the said amount from Shanghai Nongkai. On 25 August 2004, enforcement notices were issued by the Shanghai Arbitration Tribunal (上海仲裁委員會) to the tenants of Bowyer notifying the tenants to freeze payments to Shanghai Nongkai. The Receivers have not received any financial reports from Shanghai Nongkai since May 2004. The monthly financial reports for the period from 1 July 2003 to 30 April 2004 prepared by Shanghai Nongkai were used in the preparation of the Group's financial statements. Given the above, the Receivers have been unable to ascertain whether certain balances relating to Bowyer have been properly accounted for in the financial statements.

Under the circumstances, the Receivers are unable to give an unqualified representation that all the transactions affecting the Group during the year ended 30 June 2004 have been included in the financial statements and whether the financial statements present a true and fair view of the operations and cash flows of the Group for the year ended 30 June 2004 and the financial position of the Company and of the Group as at 30 June 2004. The Receivers therefore disclaim any liabilities in respect of the financial statements of the Company and of the Group in relation to the affairs of the Company and of the Group for the year ended 30 June 2004.

The audit committee of the Company ("Audit Committee") had reviewed and discussed the financial statements with the Receivers and the board of directors (the "Board"). Based on the results of the inquiries and the inspection of the books and records of the Company and its subsidiaries available in Hong Kong and the People's Republic of China ("PRC"), the members of the Audit Committee were unable to satisfy themselves as to whether the financial statements present 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 financial statements of the Company and of the Group for the year ended 30 June 2004.

The Board at a meeting held on 7 December 2004 had resolved not to approve the financial statements as the Company has not been under the management of the Board for the relevant accounting period for which the financial statements were prepared.

In light of the above circumstances and in view of the fact that the Receivers will continue to manage the Company in the near future until further order of the High Court of Hong Kong (the "Court"), the Receivers consider it appropriate, notwithstanding the limitations referred to above, to take up the responsibility from the Board to prepare and approve the financial statements. An order from the Court was obtained on 20 December 2004 conferring upon the Receivers powers to lay before the Company at its annual general meetings the profit and loss accounts, together with group accounts, balance sheets, auditors' report and reports by the Receivers prepared in respect of the Company for the year ended 30 June 2004; 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 year ended 30 June 2004.

b. ***Longbai***

The major assets of Longbai, being the hotel properties, were allegedly secured against a purported loan advanced to Longbai. As a result of the decrease in the carrying value of the hotel properties to RMB170,000,000 (equivalent to HK$160,650,000), Longbai has net liabilities as at 30 June 2004. Thus, Longbai might have a going concern problem.

An enforcement notice against Longbai was served by Shanghai Pudong New District Liuli Rural Credit Cooperative Union ("Liuli SRCC") and a judgment related to 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") was issued by the Shanghai No. 1 Intermediate Court（上海市第一中級人民法院）("Intermediate Court") on 19 November 2004 ruling that, among other things, the Longbai Purported Loan Agreements are legally binding, the Intermediate Court does not support Longbai's application for the invalidation of the Longbai Purported Loan Agreements, the return by Liuli SRCC of interest of approximately RMB9,928,000 paid by Longbai and payment of an amount of approximately RMB399,000, being the interest accrued on the interests paid by Longbai, and further ruled that Longbai must bear the court fees of approximately RMB1,760,000, which have already been paid. Longbai might lose its ownership of Hotel Yihe Longbai Shanghai（上海逸和龍柏飯店）("Hotel Longbai") should Liuli SRCC resume its enforcement action against Longbai.

c. ***Hongxin***

The major asset of Hongxin, being the property under development with a carrying value of RMB285,000,000 (equivalent to HK$269,325,000), was allegedly secured against a purported loan advanced to Hongxin. The Receivers have been unable to determine whether Hongxin is able to meet all its liabilities due to insufficient books and records. Further, according to the information available to the Receivers, funds equivalent to the purported loan were advanced to a PRC entity. Should this receivable become irrecoverable and the proceeds from realisation of the property under development be insufficient to cover the purported loan and other liabilities, Hongxin might have a going concern problem.

An enforcement notice against Hongxin was served by the Shijidadao Branch of Shanghai Pudong New District Rural Credit Cooperative Union ("Shijidadao SRCC") and a judgment related to the loan of RMB300,000,000 purportedly made by

Shijidadao SRCC to Hongxin 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") was issued by the Intermediate Court on 17 November 2004 ruling that, among other things, the Hongxin Purported Loan Agreements are legally binding, the Intermediate Court does not support Hongxin's application for the invalidation of the Hongxin Purported Loan Agreements, the return by Shijidadao SRCC of interest of RMB4,071,000 paid by Hongxin and payment of an amount of approximately RMB194,500, being the interest accrued on the interests paid by Hongxin, and further ruled that Hongxin must bear the court fees of approximately RMB1,510,000, which have already been paid. Hongxin might lose its land use right in respect of the land at Wuzhong Road should Shijidadao SRCC resume its enforcement action against Hongxin.

The registered capital of Hongxin was US$16,700,000 as of 20 January 2003 but 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") before the Receivers' appointment. Pursuant to the new business licence issued to one of the Receivers acting as the legal representative of Hongxin effective on 15 January 2004, the registered capital of Hongxin was listed at US$30,000,000, of which US$16,700,000 has been paid-up. The investment amount, which was originally listed at US$50,000,000, was listed at US$90,000,000 pursuant to the Certificate of Approval (批准證書) of Hongxin.

On 6 February 2004, Hongxin applied to SFIC for the restoration to its original registered capital of US$16,700,000 and investment amount of US$50,000,000. The deadline for paying up the additional registered capital was 24 May 2004. On 30 April 2004, the Receivers requested SFIC to extend the deadline to 24 November 2004. SFIC, however, advised that SFIC annual inspection was required for their consideration.

Furthermore, the business licence of Hongxin would be revoked if the annual inspection of Hongxin's 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. The Receivers then continued to consult SFIC, Shanghai Administrative Bureau for Industry and Commerce (上海市工商行政管理局) and the Foreign Economic Commission of Huangpu District Shanghai (對外經濟委員會) ("FEC") to restore the registered capital and investment amount of Hongxin to their original amount, 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.

In light of the judgment on Hongxin on 17 November 2004, FEC has verbally rejected Hongxin's application to extend the payment of the additional registered capital to 24 November 2005. The Receivers are currently considering all legal options in this respect. Should the business licence of Hongxin be revoked, Hongxin might also have a going concern problem.

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 12 (Revised) "Income taxes" is effective for the first time for the current year's financial statements. SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

3. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents income from operations from the hotel investment and rental income from investment properties earned during the year and is analysed as follows:

Business segments

Business segment analysis is chosen as the primary reporting format as the Group's results were principally affected by property investment, hotel investment and property development activities.

	Hotel investment		Property investment		Property development		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Turnover	**51,885**	13,290	**1,383**	1,816	**–**	–	**53,268**	15,106
Segment results	**19,397**	3,058	**884**	1,445	**–**	–	**20,281**	4,503
Interest income							**12,821**	26,737
Unallocated administrative expenses net of other revenue							**(75,635)**	(32,055)
Loss from operations							**(42,533)**	(815)
Finance costs							**(29,861)**	(2,716)
Surplus/(deficit) on revaluation of investment properties	**–**	–	**1,965**	(12,360)	**–**	–	**1,965**	(12,360)
Deficit on revaluation of hotel properties	**(200,350)**	(111,500)	**–**	–	**–**	–	**(200,350)**	(111,500)
Impairment loss on property under development written back/(provided)	**–**	–	**–**	–	**71,325**	(136,925)	**71,325**	(136,925)
Amortisation of goodwill	**–**	(383)	**–**	(18)	**–**	(12,214)	**–**	(12,615)
Impairment loss on goodwill written back/(provided)	**10,000**	(17,998)	**–**	(418)	**–**	(61,071)	**10,000**	(79,487)
Loss from ordinary activities before taxation							**(189,454)**	(356,418)
Taxation							**31,161**	109,750
Loss attributable to shareholders							**(158,293)**	(246,668)

No inter-segment sales and transfer were transacted during both financial years.

The Group disposed of all its wireless technology companies on 28 March 2003 and since then ceased its wireless technology investment activity. The segment results in respect of the wireless technology investment in 2003 of HK$181,000 were included as unallocated administrative expenses net of other revenue.

Geographical segments

No geographical analysis is provided as the property investment, hotel investment and property development activities for both financial years were all carried out in the PRC.

4. OTHER REVENUE

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Interest income	**12,821**	26,737
Sundry income	**818**	1,234
	13,639	27,971

5. LOSS FROM OPERATIONS

The loss from operations is arrived at after charging/(crediting):

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Staff costs, including retirement scheme contributions of HK$1,362,000 (2003: HK$163,000) and excluding directors' remuneration	**14,593**	9,441
Provision for bad debts	**2,837**	–
Depreciation	**2,031**	1,485
Operating lease charges		
– office rental (net)*	**(350)**	4,790
– equipment rental	**131**	23
	(219)	4,813
Auditors' remuneration	**557**	500
Legal and professional fees	**64,026**	7,534
Cost of services rendered	**15,714**	5,096
Rental income from investment properties less outgoings of HK$486,000 (2003: HK$356,000)	**(897)**	(1,460)
Other operating lease income	**(1,002)**	–
(Gain)/loss on disposal of other fixed assets	**147**	(17)

* An amount of HK$5,762,000 (2003: HK$1,043,000), being reimbursements of lease charges from sub-leases, has been net off.

6. DISCONTINUED OPERATIONS

Pursuant to a resolution passed at an extraordinary general meeting held on 25 March 2003, the Company exercised its rights under a put option agreement dated 3 May 2002 entered into between the Company and Investor Investment imGO Limited ("Investor imGo") (the "Put Option") to dispose of all the wireless technology companies held by the Group to Investor imGo for a consideration equal to the aggregate net book value of the investments of US$13,037,500 (equivalent to approximately HK$101,684,000). The exercise of the Put Option was completed on 28 March 2003 and there was no profit or loss arising from the disposal. There was also no tax charge or credit arising from the disposal. The proceeds were received on 1 April 2003.

The above cash inflow of approximately HK$101,684,000 was however placed with the Company's subsidiary, Great Hero Limited, and HK$53,157,294 of which was subsequently transferred to Great Center Limited for and on behalf of Hongxin without proper cause.

The turnover, other revenue, expenses and results of the discontinued operations of the wireless technology segment included in the financial statements are as follows:

	1 July 2002 to 28 March 2003
	HK$'000
Turnover	–
Direct expenses	–
	–
Other revenue	–
Administrative expenses	(181)
Loss attributable to shareholders	(181)

7. FINANCE COSTS

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Interest expenses on loans wholly repayable within five years		
– Longbai Purported Loan*	**29,861**	2,338
– Secured bank loans	**–**	378
	29,861	2,716

* Interest payment in the sum of RMB10,330,000 (equivalent to HK$9,762,000) had been made by Longbai to Liuli SRCC prior to the Receivers took control of its management at the end of December 2003. Based on the information available to the

Receivers, RMB21,269,000 (equivalent to approximately HK$20,099,000) representing interest payable on the Longbai Purported Loan together with penalty interest up to 30 June 2004 have been accrued in the financial statements. The Receivers are unable to ascertain the accuracy of the interest expenses on the Longbai Purported Loan.

8. TAXATION

The amounts of taxation charged/(credited) to the consolidated income statement represent:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
		(Restated)
Current tax		
– PRC income tax	**292**	477
Deferred tax	**(31,453)**	(110,227)
	(31,161)	(109,750)

Current tax

No provision for Hong Kong profits tax has been made in the financial statements as the companies operating in Hong Kong did not have any estimated assessable profits in both current and prior years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders for the year of HK$158,293,000 (2003: HK$246,668,000, restated) and on 3,051,438,765 (2003: 3,051,438,765) ordinary shares in issue during the year.

No diluted loss per share is presented as the potential issue of ordinary shares in connection with the Company's share options did not give rise to an increase in loss per share and therefore had no dilutive effect on the calculation of diluted loss per share.

SUMMARY OF AUDITORS' REPORT

A summary of the auditors' report to the members of the Company is set out below:

"Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as set out below:

1. **Disclaimer on view given on the financial statements in the previous year**

   Our opinion on the financial statements of the Company and of the Group for the year ended 30 June 2003 was disclaimed in view of the significance of the possible effect of the limitations in evidence available to us, details of which were set out in our audit report dated 27 October 2003.

2. **Disclaimers of liabilities by the Receivers and the Board**

   The Receivers, despite having taken all reasonable steps, have not been able to obtain all information and documents for preparing the financial statements. Accordingly, they were unable to give an unqualified representation that all the transactions affecting the Group during the year ended 30 June 2004 have been included in the financial statements and also as to whether the financial statements present a true and fair view of the operations and cash flows of the Group for the year ended 30 June 2004 and the financial position of the Company and of the Group as at 30 June 2004. The Receivers have therefore disclaimed any liabilities in respect of the financial statements of the Company and of the Group in relation to the affairs of the Company and of the Group for the year ended 30 June 2004.

   The Audit Committee had reviewed and discussed the financial statements with the Receivers and the Directors of the Board (the "Board"). Based on the results of the inquiries and the inspection of the books and records of the Company and its subsidiaries available in Hong Kong and the PRC, the members of the Audit Committee were unable to satisfy themselves as to whether the financial statements present 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 financial statements of the Company and of the Group for the year ended 30 June 2004.

The Board at a meeting held on 7 December 2004 had resolved not to approve the financial statements as the Company has not been under the management of the Board for the relevant accounting period for which the financial statements were prepared.

In light of the above circumstances and in view of the fact that the Receivers will continue to manage the Company in the near future until further order of the Court, the Receivers consider it appropriate, notwithstanding the limitations referred to above, to take up the responsibility from the Board to prepare and approve the financial statements. An order from the Court was obtained on 20 December 2004 conferring upon the Receivers powers, inter alia, to approve and sign the financial statements of the Company and of the Group for the year ended 30 June 2004.

In consequence, we have been unable to carry out auditing procedures necessary to obtain adequate assurance regarding the completeness and accuracy of the assets, liabilities, income and expenses, cash flows, as well as commitments and contingent liabilities, the related party transactions and the disclosures appearing in the financial statements.

3. **Accounting records and documents of subsidiaries**

a. The Receivers and their staff, notwithstanding their appointment as the legal representatives and directors of Shanghai Yihe Longbai Hotel Limited ("Longbai") and Shanghai Hongxin Real Estate Development Company Limited ("Hongxin") on 16 December 2003 and 15 January 2004 respectively, have only had limited access to the books and records of Longbai and Hongxin as their former legal representatives and directors have been uncooperative and failed to surrender the books and records and/or certain original documents of Longbai and Hongxin. As a consequence, the Receivers have been unable to satisfy themselves as to whether the following balances relating to Longbai and Hongxin have been properly accounted for in the financial statements:

   – Finance costs of HK$29,861,000 on the purported loan;

   – Hotel properties of HK$160,650,000 allegedly pledged for the loan advanced;

- Property under development of HK$269,325,000 allegedly pledged for the loan advanced;
- Deposits, prepayments and other receivables of HK$666,042,000;
- Short term loan receivable of HK$283,500,000;
- Pledged deposits of HK$28,080,000;
- Cash and bank balances of HK$11,899,000;
- Interest payable of HK$39,764,000;
- Accrued expenses and other payables of HK$33,978,000;
- Purported loans of HK$614,250,000; and
- Deferred tax liabilities of HK$60,585,000, deferred tax credit of HK$32,559,000 and HK$103,163,000 for the current and prior years respectively.

The Receivers have taken out various actions to recover the amounts advanced by Longbai and Hongxin totaling HK$917,275,000. The Receivers are unable to ascertain whether these amounts will be recoverable in full.

b. Bowyer Profits Limited ("Bowyer") appointed Shanghai Nongkai Development Group Limited ("Shanghai Nongkai") as manager to act on its behalf for all matters relating to the leasing of its investment properties including but not limited to receiving income and making payments of expenses related thereto upto 29 April 2004. The Receivers have not received any financial reports since May 2004 and certain relevant records and information of Bowyer from Shanghai Nongkai. As a consequence, the Receivers have been unable to ascertain whether the following balances relating to Bowyer have been properly accounted for in the financial statements:

- Turnover of HK$1,383,000;
- Tax payable of HK$1,411,000;
- Deposits, prepayments and other receivables of HK$3,950,000; and
- Deferred tax liabilities of HK$7,453,000, deferred tax charge of HK$1,106,000 for the current year and deferred tax credit of HK$7,064,000 for the prior year.

The Receivers have taken out various actions to recover the amount taken out from Bowyer of HK$3,950,000. The Receivers are unable to ascertain whether this amount will be recoverable in full.

There were no other satisfactory auditing procedures that we could adopt to ascertain whether the balances referred to in paragraphs 3a and 3b above have been properly accounted for in the financial statements and whether the amounts totaling HK$921,225,000 are fully recoverable. In addition, we have also been unable to ascertain whether the increase in pledged deposits of HK$28,080,000 has been properly disclosed as financing activities and cash and bank balances of HK$11,899,000 have been properly classified as cash and cash equivalents in the consolidated cash flow statement.

4. **Amount due from Shun Loong Holdings Limited ("Shun Loong")**

   Shun Loong had filed an Originating Summons seeking declaratory reliefs against Profitex Investments Limited ("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. Profitex had filed an affirmation in opposition to the Originating Summons. The date for the hearing of the Originating Summons was scheduled to be held in January 2005.

   In view of the foregoing, we are unable to ascertain if the amount due from Shun Loong as at 30 June 2004 of HK$3,885,000 included in deposits, prepayments and other receivables is fully recoverable.

Any adjustments arising in relation to the matters referred to in paragraphs 1 to 4 above would have a consequential effect on the loss and cash flows of the Group for the year ended 30 June 2004 and the net assets of the Company and of the Group as at that date.

5. **Amounts due from subsidiaries**

   The Receivers have only had limited access to the accounting records and documents of the subsidiaries referred to in paragraph 3 above and as a consequence, they have been unable to ascertain whether the amounts due to the Company by these subsidiaries of HK$1,024,947,000 are fully recoverable. In addition, in view of the significant net liabilities of Profitex, the Receivers have also been unable to ascertain whether the net amount due from Profitex of HK$32,761,000 is fully recoverable. As a consequence, we have been unable to ascertain whether these amounts totaling HK$1,057,708,000 are fully recoverable and have been properly accounted for in the financial statements. Any adjustments to these amounts would have a consequential effect on the loss of the Company for the year ended 30 June 2004 and the net assets of the Company as at that date.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental Uncertainty Relating to the Going Concern of Certain Subsidiaries

a. Longbai

Longbai's hotel properties, with a carrying value of RMB170,000,000 (equivalent to HK$160,650,000), were allegedly secured against a loan of RMB350,000,000 (equivalent to HK$330,750,000) purportedly granted by Shanghai Pudong New District Liuli Rural Credit Cooperative Union ("Liuli SRCC"). As a result of the decrease in the carrying value of the hotel properties, Longbai had net liabilities as at 30 June 2004. Thus, Longbai might have a going concern problem.

In addition, Longbai might lose its ownership of Longbai's hotel properties should Liuli SRCC resume its enforcement action against Longbai and Longbai fails to fulfill the alleged payment obligations.

The Receivers are also currently unable to determine whether there are any other contingent liabilities should Liuli SRCC resume its enforcement action against Longbai.

b. Hongxin

Hongxin's property under development, with a carrying value of RMB285,000,000 (equivalent to HK$269,325,000), was allegedly secured against a loan of RMB300,000,000 (equivalent to HK$283,500,000) purportedly granted by the Shijidadao Branch of Shanghai Pudong New District Rural Credit Cooperative Union ("Shijidadao SRCC"). The Receivers have been unable to determine whether Hongxin is able to meet all its liabilities as the Receivers have only had limited access to Hongxin's books and records. Further, according to the information obtained by the Receivers, fund largely equivalent to the purported loan was deposited and/or advanced to a PRC entity. Should this receivable become irrecoverable and the proceeds from the realisation of the property under development be insufficient to cover the purported loan and other liabilities, Hongxin might have a going concern problem.

Further, the registered capital of Hongxin according to the business licence of Hongxin issued on 15 January 2004 was listed at US$30,000,000, of which only US$16,700,000 has been paid up. The investment amount which was originally listed at US$50,000,000, was subsequently listed at US$90,000,000 pursuant to Hongxin's Certificate of Approval. Hongxin has requested the Foreign Economic Commission of Hangpu District Shanghai ("FEC") to extend the deadline for paying up the additional registered capital to 24 November 2005. In light of the judgment on Hongxin dated 17 November 2004, FEC has verbally rejected Hongxin's application to extend the payment of the additional registered capital to 24 November 2005. Should the business licence of Hongxin be revoked, Hongxin might have a going concern problem.

In addition, Hongxin might lose its ownership of the property under development should Shijidadao SRCC resume its enforcement action against Hongxin and Hongxin fails to fulfill the alleged payment obligations.

The Receivers are also currently unable to determine whether there are any other contingent liabilities should Shijidadao SRCC resume its enforcement action against Hongxin.

The Receivers have indicated that they will unlikely be providing the necessary funding to maintain Longbai and Hongxin as a going concern. The financial statements include appropriate adjustments to state Longbai's hotel properties and Hongxin's property under development at valuation on a forced sale basis and to reclassify the purported loans under current liabilities. No adjustments have been made to restate the other assets to their recoverable amounts and to provide for any further liabilities that might arise as the amounts are not quantifiable. We consider that the fundamental uncertainty has been adequately disclosed in the financial statements and our opinion is not qualified in this respect.

Qualified Opinion: Disclaimer on View Given by the Financial Statements and Disagreement about Accounting Treatment

Interest expenses of HK$19,665,000 have been accrued on the purported loan allegedly borrowed by Hongxin and were recorded as prepayments in the financial statements. In our opinion, the interest accrued should be accounted for as an expense as required by Statement of Standard Accounting Practice 19 "Borrowing costs" ("SSAP 19") issued by HKICPA. If the Group had accounted for the borrowing costs in accordance with SSAP 19, the Group's loss attributable to shareholders for the year ended 30 June 2004 would have been increased by HK$19,665,000 and the debtors, deposits and prepayments of the Group as at 30 June 2004 would have been decreased by HK$19,665,000.

Because of the significance of the possible effect of the limitations in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2004 and of the loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the Companies Ordinance.

In respect alone of the limitation on our work relating to the limitations on the scope of our audit as referred to above,

– we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

– we were unable to determine whether proper books of account had been kept."

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND POSITION

The net asset value of the Group decreased by HK$158,293,000 to HK$1,944,823,000 as at 30 June 2004 (2003: HK$2,103,116,000, restated). The loss attributable to shareholders during the year was HK$158,293,000.

The aggregate open market value of the investment and hotel properties and the property under development as at 30 June 2004 was HK$464,940,000 (2003: HK$592,000,000), according to the valuation reports issued by an independent professionally qualified property valuer, giving rise to a net deficit amounting to HK$127,060,000. The valuation of the hotel properties and property under development is based on a forced sale basis.

The net loss from revaluations together with the legal and professional fees and administrative expenses incurred during the year were direct attributable factors leading to the loss attributable to shareholders of HK$158,293,000 (2003: HK$246,668,000, restated) for the year.

INVESTMENTS IN SUBSIDIARIES

There were no significant changes in any of the Group's investments during the year.

BUSINESS REVIEW

Property investment

(峻嶺廣場) Jun Ling Plaza

Based on available records, rental income and profit from the leasing of investment properties in Jun Ling Plaza, Shanghai, the PRC during the year attributable to the Group amounted to HK$1,383,000 (2003: HK$1,816,000) and HK$884,000 (2003: HK$1,445,000) respectively.

Based on available records, the occupancy ratio during the year was approximately 37% (2003: 57%).

Hotel investement

(上海逸和龍柏飯店) Hotel Longbai

Income and profit from Hotel Longbai's operations during the year attributable to the Group amounted to HK$51,885,000 (2003: HK$13,290,000) and HK$19,397,000 (2003: HK$3,058,000) respectively.

The occupancy ratio during the year was approximately 64% (2003: 50%).

Property development

(吳中路) Wuzhong Road

The Group has yet to commence the foundation and construction work on the land at Wuzhong Road as at the balance sheet date and there was neither income nor profit generated attributable to the Group during the year.

CAPITAL COMMITMENTS

Given the purported loan transactions with Shijidadao SRCC and Liuli SRCC (collectively "SRCC") and the judgments issued by the Intermediate Court on 17 and 19 November 2004 against Hongxin and Longbai respectively and the current legal proceedings with Shanghai Nongkai, the Receivers decided that it would not be appropriate to incur any further capital expenditure on the above investments. Hence, the Group has neither appropriated nor arranged funding for any future capital commitments on the above investments.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash position decreased by HK$57,872,000 to HK$1,263,319,000 as at 30 June 2004 (2003: HK$1,321,191,000) due to operation and administrative expenses, and legal and professional fees.

TREASURY

The cash position of the Group as at 30 June 2004 mainly comprised US dollars, HK dollars, Renminbi ("RMB") and Japanese Yen ("JPY") as follows:

	HK$'000	*%*
US dollars	1,241,344	98
HK dollars	10,969	1
RMB	10,987	1
JPY	19	–
Total	1,263,319	100

Most of the Group's income and expenditure are denominated in either RMB or HK dollars. By maintaining its cash currencies mostly in US dollars, HK dollars and RMB, the Group was able to minimise its exposure to foreign currency fluctuations.

PLEDGE OF ASSETS, BANK BORROWINGS AND GEARING

As at 30 June 2004, the land at Wuzhong Road and Hotel Longbai remained purportedly pledged by Hongxin and Longbai respectively to SRCC as security for loans purportedly granted to these two subsidiaries.

Pursuant to the Hongxin Purported Loan Agreements dated 27 March 2003 signed by the former legal representative of Hongxin, the land at Wuzhong Road was purportedly pledged as the security for a loan of RMB300,000,000 (equivalent to HK$283,500,000) purportedly granted by Shijidadao SRCC to Hongxin for a term of one year commencing from 27 March 2003 with interest payable quarterly at an interest rate of 5.31% per annum.

Pursuant to the Longbai Purported Loan Agreements dated 11 April 2003 signed by the former legal representative of Longbai, Hotel Longbai was purportedly pledged as the security for a loan of RMB350,000,000 (equivalent to HK$330,750,000) purportedly granted by Liuli SRCC to Longbai for a term of five years commencing from 18 April 2003 with interest payable quarterly at an interest rate of 5.58% per annum.

The Receivers understand that these purported loans had not been duly authorised and approved by the Board. Accordingly, the Receivers have not authorised any interest payments to SRCC since they took over the management of Longbai in late December 2003 and one of the Receivers became the legal representative of Hongxin on 15 January 2004.

The Group's gearing ratio was approximately 32% (gearing ratio is calculated by dividing the purported loans by shareholders' funds) as at 30 June 2004 (2003: 29%).

According to information available to the Receivers, a sum of US$3,600,000 (approximately HK$28,080,000) has been pledged to Shijidadao SRCC by the former management of Hongxin. As of the date of this announcement, the Receivers are unable to obtain any information in relation to the pledged deposits.

Apart from the above, the Receivers are unable to determine whether there were any other debt commitments and contingent liabilities as at 30 June 2004.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2004, the Group employed 12 (2003: 20) staff in Hong Kong and approximately 340 (2003: 280) staff in the PRC. The Group remunerates its employees based on their performance and experience in the context of prevailing industry practice.

DIVIDEND

No payment of dividends for the financial year ended 30 June 2004 was recommended (2003: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee comprised three Independent Non-Executive Directors of the Company during the financial year ended 30 June 2004. Following the resignation of Mr. Liu Lit Man as an Independent Non-Executive Director and Audit Committee member on 11 November 2004, the Audit Committee comprises two Independent Non-Executive Directors of the Company.

The Audit Committee had reviewed and discussed the financial statements with the Receivers and the Board. Based on the results of the inquiries and the inspection of the books and records of the Company and its subsidiaries available in Hong Kong and the PRC, the members of the Audit Committee were unable to satisfy themselves as to whether the financial statements present 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 financial statements of the Company and of the Group for the year ended 30 June 2004.

CODE OF BEST PRACTICE

The Receivers are unable to confirm whether the Company has complied throughout the financial year ended 30 June 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information of the annual results of the Group for the year ended 30 June 2004 required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules (in force prior to 31 March 2004, which remains applicable to results announcements in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements) will be published on the Stock Exchange's website in due course.

OUTLOOK

The Receivers 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, the Receivers are not in a position to determine when the receivership will conclude.

As at the date hereof, the Executive Directors of the Company are Mr. Chau Ching Ngai, Ms. Gong Bei Ying, Mr. Jiang Dong Liang, Mr. Koo Hoi Yan, Donald and Mr. Mao Wei Ping. The Non-Executive Directors are Ms. Fan Cho Man and Mr. Tan Lim Heng. The Independent Non-Executive Directors and also Audit Committee members are Mr. Mok Chiu Kuen and Mr. Ho Yau Hoo, Ronald.

For and on behalf of
Shanghai Land Holdings Limited
(Receivers Appointed)
Stephen Liu Yiu Keung
Yeo Boon Ann
Joint & Several Receivers

Hong Kong, 23 December 2004

Please also refer to the published version of this announcement in The Standard.