

Report of the Receivers

On 7 December 2004, the Directors resolved at a meeting that the Board would not approve the financial statements of the Company and of the Group for the year ended 30 June 2004 and no Directors' Report would be issued by the Board.

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 to take up the responsibility from the Board to prepare and issue a report containing information as required by Section 129D of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Companies Ordinance") to be attached to the balance sheet.

An order of the Court was obtained on 20 December 2004 conferring upon the Receivers power to lay before the Company at its annual general meeting the profit and loss accounts, together with group accounts, balance sheets, auditors' report and reports by the Receivers prepared in respect of the Company and of the Group 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.

The Receivers have therefore prepared this report based on the confirmations received from the Directors as detailed below and the limited information of the Company and of the Group obtained by the Receivers as explained in the Statement from the Receivers.

The Receivers have set out below the information required by the Companies Ordinance to be contained in a Directors' report and other information relating to the Directors required to be disclosed in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in order to comply with the disclosure requirements.

For the purposes of preparing the Annual Report, the Company forwarded various documents to the Directors of the Company to seek confirmations in respect of the following information:

1. Directors' biographical details;
2. Directors' interests or short positions in shares, underlying shares and debentures of the Company and its associated corporations pursuant to the disclosure requirements under the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO");
3. Directors' interests in contracts disclosed pursuant to Section 129D(3)(j) of the Companies Ordinance; and
4. Directors' interests (excluding Mr. Mok Chiu Kuen and Mr. Ho Yau Hoo, Ronald, the existing Independent Non-Executive Directors and Mr. Liu Lit Man, who resigned as an Independent Non-Executive Director and Audit Committee member effective from 11 November 2004) in excluded business as defined in the Listing Rules. Such information is detailed under the section of "Directors' Interests in Competing Business" in this report.

As at the date of signing of this report, the Company has received certain confirmations from Directors, details of which are as follows:

Confirmations in respect of items 1 to 4 above have been received from Mr. Koo Hoi Yan, Donald, Ms. Gong Bei Ying, Ms. Fan Cho Man and Mr. Tan Lim Heng. Confirmations in respect of items 1 to 3 above have been received from Mr. Ho Yau Hoo, Ronald, Mr. Mok Chiu Kuen and Mr. Liu Lit Man. No confirmations have been received from the other Directors of the Company, namely Mr. Chau, Mr. Jiang Dong Liang, Mr. Mao Wei Ping and Mr. Shan Zhenglin (who resigned as an Executive Director effective from 3 November 2004) for items 1 to 4 above.

REVIEW OF ACTIVITIES

There was no significant change to the principal activities of the Group during the year. Details of the business review of the Group have been disclosed under "Business Review" in the Management Discussion and Analysis.

Report of the Receivers *(Continued)*

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the principal activities of the subsidiaries are set out in Note 17 to the financial statements.

FINANCIAL RESULTS

The consolidated results of the Group for the year ended 30 June 2004 and the state of the affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 88.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers represented approximately 11% of the Group's total turnover with the largest customer accounting for approximately 5% of the Group's total turnover.

In relation to the Group's purchases from suppliers, the aggregate purchases attributable to the Group's five largest suppliers was approximately 39% of the Group's total purchases with the largest supplier accounting for approximately 21% of the Group's total purchases.

Save as disclosed above and according to the records available to the Receivers and confirmations received from the Directors, none of the Directors, their associates or any shareholders (which, to the knowledge of the Receivers, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers and suppliers.

CHARITABLE DONATIONS

During the year, the Group did not make any charitable donations (2003: HK\$1,001,050).

DIVIDEND

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company are set out in Notes 25 and 26 to the financial statements.

SEGMENTAL INFORMATION

Details of the segmental information of the Group during the year are set out in Note 5 to the financial statements.

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.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in Note 16 to the financial statements. The Company did not hold any fixed assets at any time during the year.

Report of the Receivers *(Continued)*

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 37 and Note 27 to the financial statements.

DISTRIBUTABLE RESERVES

As at 30 June 2004, the Company did not have any distributable reserves, calculated in accordance with the provisions of Section 79B of the Companies Ordinance.

DIRECTORS

The Directors of the Company during the financial year and as at the date of this report are:

Mr. Chau Ching Ngai
Ms. Gong Bei Ying
Mr. Jiang Dong Liang
Mr. Koo Hoi Yan, Donald
Mr. Mao Wei Ping
Mr. Shan Zhenglin (resigned on 3 November 2004)
Ms. Fan Cho Man*
Mr. Tan Lim Heng*
Mr. Liu Lit Man** (resigned on 11 November 2004)
Mr. Mok Chiu Kuen**
Mr. Ho Yau Hoo, Ronald** (appointed on 28 September 2004)

* *Non-Executive Director*

** *Independent Non-Executive Director*

In accordance with Article 95 of the Company's Articles of Association ("Articles"), Mr. Ho Yau Hoo, Ronald will retire and in accordance with Article 104(A) of the Articles, Mr. Mok Chiu Kuen and Ms. Gong Bei Ying will also retire at the forthcoming annual general meeting. They, being eligible, offer themselves for re-election.

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any Director proposed for re-election at the forthcoming annual general meeting.

At a Board meeting held on 1 December 2004, the Board resolved, by majority of the votes of the Directors present at the meeting, to nominate for appointment a candidate as an Independent Non-Executive Director of the Company and resolved, by majority of the votes of the Directors present at the meeting, to nominate for appointment three candidates as Executive Directors of the Company. The appointment of Directors of the Company is subject to the approval of the Court or the Receivers pursuant to an order of the Court dated 22 December 2003.

DIRECTORS' INTERESTS IN CONTRACTS

Mr. Liu Lit Man is a director and shareholder of Liu Chong Hing Bank Limited that provides banking services to the Company, some of its Directors and/or shareholders and/or its group companies.

Save as disclosed above and in Note 32 to the financial statements, the Receivers are unable to determine whether any other Directors had a material interest in any contract of significance to the businesses of the Group to which the Company, any of its subsidiaries or its holding company was a party at the balance sheet date or at any time during the year.

Report of the Receivers *(Continued)*

ADDITIONAL INFORMATION ON DIRECTORS

In July 2004, the Solicitors provided a judgment dated 1 June 2004 from the Intermediate Court stating that Mr. Chau has been convicted in the PRC for manipulating stock prices and falsifying registered capital and has been sentenced to imprisonment for a term of 3 years.

According to the press release issued by the Independent Commission Against Corruption (“ICAC”), on 2 December 2003, Ms. Gong Bei Ying was charged by the ICAC for alleged theft and false accounting involving HK\$53 million belonging to a subsidiary of the Company and conspiring to pervert the course of public justice over an inquiry conducted by the Securities and Futures Commission in relation to a securities company.

On 2 June 2004, Ms. Gong Bei Ying was charged with an additional count of conspiracy to defraud the shareholders of Shanghai Merchants (formerly known as Ying Wing Holdings Limited). There was no trial date fixed yet for the aforesaid charges. Ms. Gong Bei Ying denies all charges.

Details of the Company’s claim against Mr. Chau for US\$34,200,000, being money Mr. Chau and others transferred from the bank accounts of the Company to some third parties outside the Group, is set out in Note 33a to the financial statements.

DIRECTORS’ INTERESTS IN SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2004, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) were as follows:

Long positions in the shares of the Company and its associated corporations

Name of Directors	The Company/ Name of associated corporations	Nature of interest	Capacity	Number of ordinary shares in interest	Approximate percentage of the issued share capital of the Company/ associated corporations
Mr. Chau (Note 1)	The Company	Corporate interest	Beneficial owner	2,288,521,317	75
Tan Lim Heng	The Company	Personal interest	Beneficial owner	14,840,000	0.49
Mr. Chau	New Nongkai (Note 2)	Personal interest	Beneficial owner	1	100

Note:

- (1) Mr. Chau was deemed by virtue of his beneficial holding of the entire issued share capital of New Nongkai to be beneficially interested in the total of 2,288,521,317 shares which were charged by New Nongkai in favour of Bank of China (Hong Kong) Limited (the “Chargee”) and were held for the account of Bank of China (Hong Kong) Nominees Limited (the “Nominee”) as the nominee of the Chargee. These interests were detailed and duplicated with the interests as shown in the paragraph “Substantial Shareholders’ and Other Persons’ Interests in Securities of the Company” pursuant to Part XV of the SFO below.
- (2) New Nongkai was the ultimate holding company of the Company as at 30 June 2004.

Report of the Receivers *(Continued)*

DIRECTORS' INTERESTS IN SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

Save as disclosed above, as at 30 June 2004, the Receivers are unable to determine whether any other interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES OF THE COMPANY

As at 30 June 2004, the following persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions of substantial shareholders who were entitled to exercise or control the exercise of 5% or more of the voting power at any general meeting of the Company

Name of the person/ Company Name	Notes	Nature of interest	Capacity	Number of ordinary shares in interest	Approximate percentage of the issued share capital of the Company
New Nongkai	1	Corporate interest	Beneficial owner	2,288,521,317	75
Mr. Chau	1 & 2	Corporate interest	Beneficial owner	2,288,521,317	75
The Nominee	1	Corporate interest	The Chargee's nominee	2,288,521,317	75
The Chargee	1	Corporate interest	Security interest	2,288,521,317	75
BOC Hong Kong (Holdings) Limited ("BOC Holdings")	1	Corporate interest	Interest of controlled corporations	2,288,521,317	75
BOC Hong Kong (BVI) Limited ("BOC BVI")	1	Corporate interest	Interest of controlled corporations	2,288,521,317	75
BOC Hong Kong (Group) Limited ("BOC Group")	1	Corporate interest	Interest of controlled corporations	2,288,521,317	75
Bank of China ("BOC")	1	Corporate interest	Interest of controlled corporations	2,288,521,317	75

Report of the Receivers *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES OF THE COMPANY *(Continued)*

Notes:

- (1) The above references to 2,288,521,317 shares relate to the same block of shares in the Company. The total of 2,288,521,317 shares were charged by New Nongkai in favour of the Chargee and were largely held for the account of the Nominee as the nominee of the Chargee. On 2 December 2003, the Company received three notices pursuant to Section 324 of Part XV of the SFO from the Chargee, BOC Holdings and BOC respectively. According to such notices, the Nominee was wholly-owned by the Chargee, which in turn was wholly-owned by BOC Holdings. BOC Holdings was owned as to 75.98% (as at 10 November 2003) by BOC BVI, which was a wholly-owned subsidiary of BOC Group which in turn was wholly-owned by BOC. Accordingly, the Chargee, BOC Holdings, BOC BVI, BOC Group and BOC were deemed to be interested in 2,288,521,317 shares held by the Nominee under Part XV of the SFO.
- (2) Mr. Chau was deemed to be beneficially interested in the total of 2,288,521,317 shares held by New Nongkai by virtue of his beneficial holding of the entire issued share capital of New Nongkai.

All the interests disclosed above represent long positions in the shares of the Company as recorded in the register.

Based on the information available to the Receivers, there was no other person who was entitled to exercise or control the exercise of 5% or more of the voting power at any general meeting of the Company.

Save as disclosed above, as at 30 June 2004, the Receivers are unable to confirm whether any other persons who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in Note 26 to the financial statements, no rights to acquire benefits by means of acquisition of shares or debentures of the Company were granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, any of its subsidiaries or its holding company was a party to any arrangement to enable the Directors to acquire such rights in any other body corporate during the financial year.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in Note 26 to the financial statements.

AUDIT COMMITTEE

The Audit Committee comprised three Independent Non-Executive Directors of the Company during the year. 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 Listing Rules.

Report of the Receivers *(Continued)*

CONNECTED TRANSACTIONS

Sub-Tenancy Agreements

- (1) On 21 November 2002, a sub-tenancy agreement (the “Sub-tenancy Agreement”) was entered into among The Center (67) Limited (as head landlord), Profitex (as sub-landlord) and Worldmark (Far East) Limited (“Worldmark”), a wholly-owned subsidiary of Shanghai Merchants in respect of the sub-leasing of 2,487 square feet of the office premises located at 67th Floor, The Center, 99 Queen’s Road Central, Hong Kong by Profitex to Worldmark for a term commencing on 4 August 2002 and expiring on 19 June 2005 (the “Transaction”) with details of monthly rental as set out below:

Period	Monthly rental HK\$
4 August 2002 – 31 May 2004	74,610
1 June 2004 – 30 June 2004	63,667
1 July 2004 – 31 May 2005	44,766
1 June 2005 – 19 June 2005	28,352

A rent free period of six months by stages amounting to HK\$447,660 was granted by Profitex to Worldmark pursuant to a supplemental agreement to the Sub-tenancy Agreement dated 17 January 2003 (the “Supplemental Sub-tenancy Agreement”). The first three months of the rent free period were granted and ratified for the period from 1 September 2002 to 30 November 2002 and the remaining three months of the rent free period were granted for the period from 1 June 2003 to 31 August 2003.

At the time of execution of the Sub-tenancy Agreement and the Supplemental Sub-tenancy Agreement, the respective substantial shareholders (as defined in the Listing Rules) of the Company and Shanghai Merchants were New Nongkai and Angel Field Limited (“Angel Field”), which were and are both 100% beneficially owned by Mr. Chau. Accordingly, the Transaction constituted a connected transaction under the Listing Rules. Details of the Sub-tenancy Agreement and the Supplemental Sub-tenancy Agreement were disclosed in the press announcements of the Company dated 22 November 2002 and 17 January 2003 respectively.

It was disclosed in a press announcement dated 3 September 2003 by Profit Harbour Investments Limited that Angel Field disposed of its entire shareholdings in Shanghai Merchants on 26 August 2003.

- (2) On 23 May 2003, another sub-tenancy agreement (the “Shun Loong Sub-tenancy Agreement”) was entered into among The Center (67) Limited (as head landlord), Profitex (as sub-landlord) and Shun Loong, a wholly-owned subsidiary of Shanghai Finance at that time. The Shun Loong Sub-tenancy Agreement was to sub-lease 13,038 square feet of the office premises located at 67th Floor, The Center, 99 Queen’s Road Central, Hong Kong by Profitex to Shun Loong for a term commencing on 1 May 2003 and expiring on 19 June 2005 with details of monthly rental as set out below:

Period	Monthly rental HK\$
1 May 2003 – 31 May 2004	391,140
1 June 2004 – 30 June 2004	333,773
1 July 2004 – 31 May 2005	234,684
1 June 2005 – 19 June 2005	148,633

As Profitex had been granted a rent free period of three months by the head landlord, Profitex had granted a similar rent free period of three months amounting to HK\$1,173,420 to Shun Loong for the period from 1 June 2003 to 31 August 2003, both days inclusive. However, as Shun Loong has failed to observe and perform its covenant under the Shun Loong Sub-tenancy Agreement, Shun Loong was ordered by the Court to pay rent for the rent free period pursuant to the Shun Loong Sub-tenancy Agreement. For details of the related legal proceedings, please refer to Note 33e to the financial statements.

At the time of execution of the Shun Loong Sub-tenancy Agreement, the respective controlling shareholders of the Company and Shanghai Finance were New Nongkai and Hong Kong New Nongkai Group Limited, which were and are both 100% beneficially owned by Mr. Chau. Accordingly, the Shun Loong Sub-tenancy Agreement constituted a connected transaction under the Listing Rules. Details of the Shun Loong Sub-tenancy Agreement were disclosed in the press announcement of the Company dated 23 May 2003.

It was disclosed in a press announcement of SHK dated 25 June 2003 that SHKIS acquired all the shares in issue of Shun Loong on 25 June 2003.

Report of the Receivers *(Continued)*

CONNECTED TRANSACTIONS *(Continued)*

Property Investment

On 25 April 2003, King Success Holdings Limited (“King Success”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the “Conditional Agreement”) with Fortune Harbour Limited (“Fortune Harbour”) and Mr. Chau, pursuant to which (inter alia) King Success conditionally agreed to purchase and Fortune Harbour conditionally agreed to sell (i) the entire issued share capital and shareholder’s loan of Artic Star Limited (“Artic Star”) as at completion of the Conditional Agreement (“Completion”); and (ii) the entire issued share capital and shareholder’s loan of Hero Palace Holdings Limited (“Hero Palace”) as at Completion for a consideration of RMB700,000,000 (equivalent to HK\$661,500,000), subject to downward adjustment. Mr. Chau, as a guarantor for Fortune Harbour, has agreed to provide certain undertakings and warranties to King Success pursuant to the terms and conditions of the Conditional Agreement (the “Proposed Transaction”).

Artic Star and Hero Palace, in aggregate, hold 100% equity interest in Shanghai Paullee Real Estate Development Co., Ltd. (上海寶域房地產發展有限公司), a wholly-owned foreign enterprise established in the PRC, which in turn wholly owns the development of Dé Oriental London (the “Development”), a luxurious residential project situated at Gubei Road, Chiangning District, Shanghai, the PRC. Upon completion of the Development, Dé Oriental London will comprise two inter-connected 25-storey residential buildings, a four-storey service apartment building, a clubhouse and carparks.

Mr. Chau is the beneficial controlling shareholder of the Company and Fortune Harbour is wholly-owned by Mr. Chau. Accordingly, Fortune Harbour is a connected person of the Company under the Listing Rules. The Proposed Transaction constitutes a discloseable and connected transaction for the Company under the Listing Rules and requires approval from the shareholders other than Mr. Chau and his associates (as ascribed in the Listing Rules) (the “Independent Shareholders other than Mr. Chau”) at an extraordinary general meeting whereby Mr. Chau and his associates would abstain from voting in respect of the resolution approving the Proposed Transaction. Details of the Proposed Transaction were disclosed in the press announcement dated 28 April 2003 and a circular of the Company dated 19 May 2003.

On 2 June 2003, the Company announced that the extraordinary general meeting originally scheduled to be held on 3 June 2003 for the purpose of approving the Conditional Agreement was postponed until further notice. As the passing by the Independent Shareholders other than Mr. Chau of an ordinary resolution at an extraordinary general meeting approving the Conditional Agreement was one of the conditions precedent of the Proposed Transaction, the Proposed Transaction had not been completed.

Save as disclosed above, the Receivers are unable to confirm if there are any other contracts of significance, to which the Company, any of its subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, subsisted at the end of the financial year or at any time during the financial year.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in Note 34 to the financial statements.

Report of the Receivers *(Continued)*

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, Mr. Tan Lim Heng is a director of Guoco Group Limited and certain of its subsidiaries and/or related companies which are engaged in a diverse range of business, including property investment and development.

Mr. Chau was a director and controlling shareholder of Shanghai Nongkai which is engaged in a diverse range of business including, among others, property investment and development and investments in high technology business. Mr. Zhou Zhen Ming, Mr. Chau's brother, has become the legal representative and controlling shareholder of Shanghai Nongkai since 23 July 2004 and 15 February 2002 respectively.

The above Directors are considered to have interests in business apart from the Group's businesses, which is likely to compete, directly or indirectly, with the Group's businesses under Rule 8.10 of the Listing Rules.

FIVE YEAR SUMMARY

A summary of the published assets, liabilities and minority interests and of the results of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 89 and 90 of the Annual Report. This summary does not form part of the audited financial statements.

AUDITORS

On 5 August 2003, KPMG, the auditors of the Company for the financial years ended 30 June 2001 and 2002, resigned as auditors of the Company.

On 12 August 2003, Nexia Charles Mar Fan & Co. was appointed as auditors of the Company to conduct the audit of the financial statements for financial year ended 30 June 2003 and was re-appointed in the annual general meeting held on 23 December 2003.

Nexia Charles Mar Fan & Co. will retire at the forthcoming annual general meeting of the Company and a resolution for the re-appointment of Nexia Charles Mar Fan & Co. as auditors of the Company is to be proposed at the forthcoming annual general meeting.

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