Shanghai Land Holdings Limited

(Receivers Appointed)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 67)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

SUMMARY OF RESULTS

The joint and several receivers (the "Receivers") of Shanghai Land Holdings Limited (Receivers Appointed) (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2004 together with the comparative figures for the corresponding period of the previous year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 31 December	
		As at 2004	As at 2003
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**34,206**	26,865
Direct expenses		**(9,062)**	(7,476)
		25,144	19,389
Other revenue	4	**10,602**	6,420
Net foreign exchange loss		**(3,892)**	(5,741)
Administrative expenses		**(56,671)**	(49,410)
Loss from operations	5	**(24,817)**	(29,342)
Finance costs	6	**(20,221)**	(10,326)
Loss from ordinary activities before taxation		**(45,038)**	(39,668)
Taxation	7	**(945)**	(389)
Loss attributable to shareholders		**(45,983)**	(40,057)
Basic loss per share	8	**(1.51) cents**	(1.31) cents
Dividend		**–**	–

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2004 (Unaudited) HK$'000	As at 30 June 2004 (Audited) HK$'000
Non-current assets			
Non-trading securities		**2,000**	2,000
Fixed assets		**468,999**	469,569
		470,999	471,569
Current assets			
Inventories		**1,283**	1,194
Debtors, deposits and prepayments	9	**1,024,875**	985,797
Cash, bank balances and deposits		**1,233,527**	1,263,319
		2,259,685	2,250,310
Current liabilities			
Creditors and accruals	10	**147,200**	93,357
Purported loans		**614,250**	614,250
Tax payable		**1,738**	1,411
		763,188	709,018
Net current assets		**1,496,497**	1,541,292
Total assets less current liabilities		**1,967,496**	2,012,861
Non-current liabilities			
Deferred tax liabilities		**68,656**	68,038
Net assets		**1,898,840**	1,944,823
Capital and reserves			
Share capital		**1,525,720**	1,525,720
Reserves		**373,120**	419,103
Shareholders' funds		**1,898,840**	1,944,823

Notes:

1. General information

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

The Company is an investment holding company. The principal activities of its subsidiaries are property investment, hotel investment and property development in the People's Republic of China ("PRC").

On 7 June 2003, due to the uncertainties caused by the reported arrest of Mr. Chau Ching Ngai ("Mr. Chau") in the PRC, the Company's board of Directors (the "Board") obtained an order from the High Court of Hong Kong (the "Court") (the "Order") appointing Stephen Liu Yiu Keung and Yeo Boon Ann of Ernst & Young Transactions Limited ("EYTL"), as the joint and several receivers of the Company until further order.

Pursuant to the Order of the Court, the Receivers were to take all appropriate actions to preserve the assets of the Company, to carry on the businesses of the Company and to do all other things as reasonably necessary for the purpose of protecting the value of the Company's assets and its businesses. No winding-up petition has been filed against the Company and the Company is therefore not in liquidation.

2. Basis of preparation of the interim financial report and principal accounting policies

a. Qualified representation by the Receivers and the Board

The Receivers have taken all reasonable steps and have used their best endeavours to prepare the Group's interim financial report for the six months ended 31 December 2004.

Despite their efforts in ascertaining the affairs of the Group, the former legal representative of Shanghai Hongxin Real Estate Development Company Limited (上海宏興房地產發展有限公司)("Hongxin") and former manager of Bowyer Profits Limited ("Bowyer") were uncooperative and failed to surrender the books and records to the Receivers. As a result, the Receivers only had limited access to the books and records of Hongxin and Bowyer. In addition, the Receivers could not obtain certain original documents of Shanghai Yihe Longbai Hotel Limited (上海逸和龍柏酒店有限公司)("Longbai"). The details are set out in (i) to (iii) below.

(i) 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") endorsed the change of Longbai's legal representative to Mr. Yeo Boon Ann; and the appointment of the Receivers and Mr. Laurence Yegene Ip (an employee of EYTL) as Longbai's directors.

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

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

In the course of the Receivers' investigation, they understand that certain original licences and agreements of Longbai/Hotel Longbai are kept by Shanghai Nongkai Development Group Limited (上海農凱發展(集團)有限公司)("Shanghai Nongkai"), a PRC company controlled by connected parties of Mr. Chau.

(ii) Hongxin

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

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

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

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

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

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

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

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

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

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

(iii) Bowyer

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

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

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

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

(iv) The Hongxin and Longbai Purported Loans

Hongxin and Longbai's respective former legal representative had purportedly signed loan agreements with two separate branches of the Shanghai Rural Credit Cooperative Union ("SRCCs") for loans and advances (the "Purported Loans") allegedly secured by the land at Wuzhong Road owned by Hongxin and the hotel property owned by Longbai.

These Purported Loans had not been duly authorised and approved by the Board. Accordingly, the Receivers did not authorise any interest payments to the SRCCs on the Purported Loans. The SRCCs had taken out legal actions against Hongxin and Longbai and judgments of which had been issued by the Shanghai No.1 Intermediate Court (上海市第一中級人民法院) (the "Intermediate Court") in favour of the SRCCs.

On 7 March 2005, the Intermediate Court issued enforcement resumption notices to Hongxin and Longbai in respect of the Purported Loans. At a hearing on 14 March 2005, the Intermediate Court indicated that the enforcement procedure will commence against Hongxin immediately and enforcement procedure will commence against Longbai within seven days from the date of the hearing.

Hongxin and Longbai will lose the pledged assets if the enforcement actions are completed. Should the Group cease to own Hotel Longbai and the land at Wuzhong Road, there is a risk that the Company may be unable to comply with Rule 13.24 of the Rules Governing the listing of Securities of the Stock Exchange (the "Listing Rules").

The Audit Committee had reviewed and discussed the interim financial report with the Receivers and the Board. The members of the Audit Committee were unable to satisfy themselves as to whether the interim financial report presented a true and fair view and, under such circumstances, the Audit Committee was unable to make recommendation to the Board in accepting and/or adopting the interim financial report of the Group for the six months ended 31 December 2004.

The Board at a meeting held on 22 March 2005 had resolved not to approve the interim financial report for the six months ended 31 December 2004 as the Company had not been under the management of the Board for the relevant accounting period for which the interim financial report was prepared. In view of the fact that the Receivers would continue to manage the Company in the near future until further order of the Court, the Receivers considered it appropriate, notwithstanding the limitations referred to above, to take up the responsibility from the Board to prepare and approve the interim financial report. An order of the Court was obtained on 20 December 2004 conferring upon 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' reports and reports by the Receivers prepared in respect of the Company and of the Group for the relevant accounting periods; and to approve and sign any profit and loss accounts, group accounts, balance sheets and reports in respect of the Company and of the Group for the relevant accounting periods.

b. Principal accounting policies

The interim financial report is unaudited, but has been reviewed by Nexia Charles Mar Fan & Co. in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the requirements of the Listing Rules of the Stock Exchange, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the HKICPA.

The financial information relating to the financial year ended 30 June 2004 included in this interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2004 are available from the Company's registered office. The auditors had issued a disclaimer opinion on those financial statements in their report dated 23 December 2004.

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's statutory financial statements for the year ended 30 June 2004.

3. Turnover and segmental information

Turnover represents income from operations from the hotel investment and rental income from investment properties earned during the six months ended 31 December 2004 and is analysed as follows:

Business segments

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

	Six months ended 31 December							
	Hotel investment		Property investment		Property development		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**32,825**	25,921	**1,381**	944	**–**	–	**34,206**	26,865
Segment results	**13,353**	8,789	**991**	780	**–**	–	**14,344**	9,569
Interest income							**10,478**	6,266
Unallocated administrative expenses net of other revenue							**(49,639)**	(45,177)
Loss from operations							**(24,817)**	(29,342)
Finance costs							**(20,221)**	(10,326)
Loss from ordinary activities before taxation							**(45,038)**	(39,668)
Taxation	**(618)**	(132)	**(327)**	(257)	**–**	–	**(945)**	(389)
Loss attributable to shareholders							**(45,983)**	(40,057)

No inter-segment sales and transfers were transacted during the current and prior interim periods.

Geographical segments

No geographical analysis is provided as the hotel investment, property investment and property development activities during the current and prior interim periods were all carried out in the PRC.

4. Other revenue

	Six months ended 31 December	
	2004	2003
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**10,478**	6,266
Sundry income	**124**	154
	10,602	6,420

5. Loss from operations

	Six months ended 31 December	
	2004	2003
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Provision for bad debts	4	2,837
Depreciation	1,046	1,045
Staff costs, including net retirement scheme contributions of HK$61,000 (2003: HK$36,000)	6,171	8,104
Legal and professional fees	41,803	32,692

6. Finance costs

	Six months ended 31 December	
	2004	2003
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on Longbai Purported Loan wholly repayable within five years	20,221	10,326

Based on the information available to the Receivers, approximately RMB21,398,000 (equivalent to approximately HK$20,221,000) representing interest payable on the Longbai Purported Loan together with penalty interest for the six months ended 31 December 2004 have been accrued in the interim financial report. The Receivers are unable to ascertain the accuracy of the interest expenses on the Longbai Purported Loan.

7. Taxation

	Six months ended 31 December 2004 (Unaudited) *HK$'000*	2003 (Unaudited) *HK$'000*
Current tax – PRC income tax	327	257
Deferred tax	618	132
	945	389

a. No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong for both current and prior interim periods.

b. Provision has been made for PRC income tax at the applicable tax rate of 33% on the estimated taxable income of Bowyer for both current and prior interim periods.

8. Basic loss per share

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders for the six months ended 31 December 2004 of HK$45,983,000 (2003: HK$40,057,000) and 3,051,438,765 shares (2003: 3,051,438,765 shares) in issue during the interim period. There were no dilutive potential ordinary shares in existence during the current and prior interim periods.

9. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors of HK$6,281,000 (30 June 2004: HK$3,765,000). The aging analysis of trade debtors is as follows:

	As at 31 December 2004 (Unaudited) *HK$'000*	As at 30 June 2004 (Audited) *HK$'000*
0 – 30 days	1,705	2,256
31 – 60 days	2,084	628
61 – 90 days	1,051	159
> 90 days	1,441	722
	6,281	3,765

The Group allows an average credit period of 60 days to its customers.

Also included in debtors, deposits and prepayments is approximately RMB54,118,000 (equivalent to approximately HK$51,142,000) estimated to be interest payable on the Hongxin Purported Loan together with the penalty interest up to 31 December 2004 had been accrued, of which RMB20,809,000 (equivalent to approximately HK$19,665,000) was accrued as at 30 June 2004, based on the information available to the Receivers. The accrued interest expenses have been recorded as prepayments since Hongxin has not commenced operations in accordance with accounting principal generally accepted in the PRC.

10. Creditors and accruals

Included in creditors and accruals are trade creditors of HK$1,917,000 (30 June 2004: HK$1,577,000). The aging analysis of trade creditors is as follows:

	As at 31 December 2004 (Unaudited) *HK$'000*	As at 30 June 2004 (Audited) *HK$'000*
0 – 30 days	678	384
31 – 60 days	471	529
61 – 90 days	436	373
> 90 days	332	291
	1,917	1,577

11. Contingent liabilities in respect of the legal actions

The Receivers have initiated and defended legal actions in Hong Kong and PRC with a view to preserving and maximizing the value of assets of the Company. Given the nature of the claims and damages under dispute and the current status of these proceedings, it is not possible to estimate the eventual outcome of the claims with reasonable certainty at his stage. As such, no provision has been made for claims and damages in the interim financial report.

12. Possible recovery in respect of the legal actions

A significant portion of the legal fees incurred in Hong Kong are recoverable from third parties under various costs orders already obtained directly or indirectly in favour of the Company in the majority of the proceedings, although it is likely that costs would only be recovered on a party-and-party basis instead of a solicitor-and-own-client basis. As of the date of this announcement, no costs have been taxed or recovered by the Company under those orders because most of the proceedings are still ongoing. However, it is intended that steps will be taken to recover such costs in the near future.

13. Post balance sheet events

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

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

The Receivers currently consider that it is unsafe for their staff to work at Hotel Longbai. Currently, supervision on payments and other documents are being conducted through mail. In the circumstances, the Receivers consider that the day-to-day operation of Hotel Longbai is no longer under their control.

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

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

The Group will lose the pledged assets if the enforcement actions against Hongxin and Longbai are completed.

Should the Group cease to own Hotel Longbai and the land at Wuzhong Road, there is a risk that the Company may be unable to comply with Rule 13.24 of the Listing Rules.

INDEPENDENT REVIEW REPORT

The interim financial report has been reviewed by Nexia Charles Mar Fan & Co. Their independent review report to the Board of Directors is set out below.

"INTRODUCTION

We have been instructed by the Company to review the interim financial report for the six months ended 31 December 2004.

DIRECTORS' RESPONSIBILITIES

The Listing Rules require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the HKICPA and the relevant provisions thereof. The interim financial report is the responsibility of the Board.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA, except that the scope of our review was limited as explained below.

A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

The scope of our review was limited as set out below:

1. **Statutory financial statements**

   Our audit reports on the financial statements of the Group for the years ended 30 June 2004 and 2003 were 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 reports dated 23 December 2004 and 27 October 2003 respectively. Any adjustments to these financial statements might have a consequential effect on the net assets of the Group as at 30 June 2004 and 31 December 2004 and the results of the Group for the six months ended 31 December 2004 and 2003.

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

   The Receivers, despite having taken all reasonable steps, had not been able to obtain all information and documents for preparing the interim financial report. Accordingly, they were unable to give an unqualified representation that all the transactions affecting the Group during the six months ended 31 December 2004 had been included in the interim financial report and also as to whether the interim financial report presented a true and fair view of the operations and cash flows of the Group for the six months ended 31 December 2004 and the financial position of the Group as at that date. The Receivers had therefore disclaimed any liabilities in respect of the interim financial report in relation to the affairs of the Group for the six months ended 31 December 2004.

   The Audit Committee had reviewed and discussed the interim financial report with the Receivers and the Board. The members of the Audit Committee were unable to satisfy themselves as to whether the interim financial report presented a true and fair view and, under such circumstances, the Audit Committee was unable to make recommendation to the Board in accepting and/or adopting the interim financial report of the Group for the six months ended 31 December 2004.

The Board at a meeting held on 22 March 2005 had resolved not to approve the interim financial report for the six months ended 31 December 2004 as the Company had not been under the management of the Board for the relevant accounting period for which the interim financial report was prepared. In view of the fact that the Receivers would continue to manage the Company in the near future until further order of the Court, the Receivers considered it appropriate, notwithstanding the limitations referred to above, to take up the responsibility from the Board to prepare and approve the interim financial report. An order from the Court was obtained on 20 December 2004 conferring upon the Receivers powers, inter alia, to approve and sign the interim financial report for the six months ended 31 December 2004.

In consequence, we have been unable to obtain adequate assurance regarding the completeness and accuracy of the assets, liabilities, income and expenses, cash flows as well as the disclosures appearing in the interim financial report.

3. Accounting records and documents

The Receivers, notwithstanding their appointment as the legal representatives and the directors of Longbai and Hongxin on 16 December 2003 and 15 January 2004 respectively, had limited access to the books and records of Longbai and Hongxin as their former legal representatives were uncooperative and failed to surrender the books and records and/or certain original documents of Longbai and Hongxin.

In addition, Bowyer terminated the services of Shanghai Nongkai on 29 April 2004 as agent to act on its behalf for all matters relating to the leasing of its investment properties. Shanghai Nongkai has yet to return all the relevant records and documents and monies held in trust for Bowyer.

Accordingly, we have been unable to ascertain whether the following balances, related to Hongxin, Longbai and Bowyer, have been properly accounted for in the interim financial report:

– Turnover of HK$1,381,000;

– Finance costs of HK$20,221,000;

– Taxation of HK$945,000;

– Debtors, deposits and prepayments of HK$955,207,000;

– Cash, bank balances and deposits of HK$51,227,000;

– Creditors and accruals of HK$125,727,000;

– Purported loans of HK$614,250,000;

– Tax payable of HK$1,738,000; and

– Deferred tax liabilities of HK$68,656,000.

The Receivers have taken out various actions to recover the amounts advanced by Longbai, Hongxin and Bowyer totaling HK$921,400,000. The Receivers are unable to ascertain whether these amounts will be recoverable in full.

In addition, we have also been unable to ascertain whether cash and bank balances of HK$23,147,000 have been properly classified as cash and cash equivalents in the condensed 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 filed an affirmation in opposition to the Originating Summons. The Originating Summons will be set down for argument by Counsel before a Judge in open court on 29 September 2005.

In view of the foregoing, we are unable to ascertain if the amount due from Shun Loong as at 31 December 2004 of HK$5,896,000 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 significant effect on the loss and cash flows of the Group for the six months ended 31 December 2004 and the net assets of the Group as at that date.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN OF CERTAIN SUBSIDIARIES

In arriving at our review conclusion, we have considered the adoption of the going concern basis in consolidating Longbai and Hongxin.

a. Longbai

Longbai's hotel properties, with a carrying value of RMB170,000,000 (equivalent to HK$160,650,000), were secured against a loan of RMB350,000,000 (equivalent to HK$330,750,000) 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 31 December 2004. Thus, Longbai might have a going concern problem. In addition, Longbai will lose its ownership of the hotel properties if the enforcement action against Longbai is completed. The Receivers are also currently unable to determine whether there are any other contingent liabilities resulting from Liuli SRCC's 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 secured against a loan of RMB300,000,000 (equivalent to HK$283,500,000) 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 only had limited access to Hongxin's books and records. Further, according to the information obtained by the Receivers, fund 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 is 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 is subsequently listed at US$90,000,000 pursuant to Hongxin's Certificate of Approval. Hongxin has requested the 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 also have a going concern problem.

In addition, Hongxin will lose its ownership of the property under development if the enforcement action against Hongxin is completed. The Receivers are also currently unable to determine whether there are any other contingent liabilities resulting from Shijidadao SRCC's enforcement action against Hongxin.

As the Receivers have indicated that they will unlikely be providing the necessary funding to maintain Longbai and Hongxin as a going concern, the interim financial report includes 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.

DISAGREEMENT ABOUT ACCOUNTING TREATMENT

Interest expenses of HK$51,142,000 have been accrued on the purported loan borrowed by Hongxin and were recorded as prepayments in the interim financial report. 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 six months ended 31 December 2004 would have been increased by HK$31,477,000, accumulated losses as at 1 July 2004 of HK$19,665,000 and the debtors, deposits and prepayments as at 31 December 2004 would have been decreased by HK$51,142,000.

INABILITY TO REACH A REVIEW CONCLUSION

Because of the significance of the possible effect of the limitations in evidence available to us, we are unable to reach a review conclusion as to whether material modifications should be made to the interim financial report for the six months ended 31 December 2004."

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results and position

The net asset value of the Group decreased by HK$45,983,000 to HK$1,898,840,000 as at 31 December 2004 (30 June 2004: HK$1,944,823,000). The loss attributable to shareholders during the six months ended 31 December 2004 was HK$45,983,000.

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 according to the valuation reports issued by an independent professionally qualified property valuer. The valuation of the hotel properties and property under development is based on a forced sale basis.

In view of the enforcement resumption notices issued by the Intermediate Court against these properties as set out in the interim financial report, no updated valuation of the properties has been conducted.

Legal and professional fees, interest expenses and administrative expenses incurred during the interim period were direct attributable factors leading to the loss attributable to shareholders of HK$45,983,000 for the six months ended 31 December 2004 (2003: HK$40,057,000).

Investments in subsidiaries

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

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, during the six months ended 31 December 2004 attributable to the Group amounted to HK$1,381,000 (2003: HK$944,000) and HK$991,000 (2003: HK$780,000) respectively.

Based on available records, the occupancy ratio during the six months ended 31 December 2004 was approximately 85% (2003: 49%).

Hotel investment

(上海逸和龍柏飯店) Hotel Longbai

Income and profit from Hotel Longbai's operations during the six months ended 31 December 2004 attributable to the Group amounted to HK$32,825,000 (2003: HK$25,921,000) and HK$13,353,000 (2003: HK$8,789,000) respectively.

The occupancy ratio during the interim period was approximately 80% (2003: 63%).

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 interim period.

Capital commitments

Given the purported loan transactions with Shijidadao SRCC and Liuli SRCC and the judgments issued by the Intermediate Court on 17 and 19 November 2004 against Hongxin and Longbai respectively and the current legal actions with Shanghai Nongkai, 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$29,792,000 to HK$1,233,527,000 as at 31 December 2004 (30 June 2004: HK$1,263,319,000) due to operation and administrative expenses, and legal and professional fees.

Treasury

The cash position of the Group as at 31 December 2004 mainly comprised US dollars, HK dollars, Renminbi ("RMB") and Japanese Yen ("JPY") as follows:

	HK$'000	*%*
US dollars	1,210,063	98
HK dollars	9,474	1
RMB	13,970	1
JPY	20	–
Total	1,233,527	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

a. 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.

These purported loans had not been duly authorised and approved by the Board. Accordingly, the Receivers have not authorised any interest payments to the SRCCs since they took over the management of Longbai and became the legal representative of Hongxin.

The SRCCs had taken out legal actions against Longbai and Hongxin in relation to the purported loans and judgments of which had been issued by the Intermediate Court in favour of SRCCs. As at 31 December 2004, the land at Wuzhong Road and Hotel Longbai remained purportedly pledged under their respective loan agreements.

The Group's gearing ratio was approximately 32% (gearing ratio is calculated by dividing the purported loans by shareholders' funds) as at 31 December 2004 (30 June 2004: 32%).

b. 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 at the date of this announcement, the Receivers are unable to obtain any information in relation to the pledged deposits.

Save as disclosed above, the Receivers are unable to determine whether there were any other debt commitments and contingent liabilities as at 31 December 2004.

Employees and remuneration policy

As at 31 December 2004, the Group employed 12 (30 June 2004: 12) staff in Hong Kong and approximately 341 (30 June 2004: 340) staff in the PRC. The Group remunerates its employees based on their performance and experience in the context of prevailing industry practice.

Purchase, sale or redemption of the Company's listed securities

During the six months ended 31 December 2004, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

Dividend

No payment of dividends for the interim financial period ended 31 December 2004 was recommended (2003: Nil).

Code of best practice

The Receivers are unable to confirm whether the Company has complied throughout the six months ended 31 December 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to 1 January 2005.

Review of interim financial report by the Audit Committee

The Audit Committee comprised three Independent Non-executive Directors ("INED") of the Company but the number was reduced to two following the resignation of Mr. Liu Lit Man as an INED on 11 November 2004. This does not meet the requirement of the Listing Rules that the Audit Committee must comprise a minimum of three members.

The Audit Committee had reviewed and discussed the interim financial report with the Receivers and the Board. The members of the Audit Committee were unable to satisfy themselves as to whether the interim financial report presented a true and fair view and, under such circumstances, the Audit Committee was unable to make recommendation to the Board in accepting and/or adopting the interim financial report of the Group for the six months ended 31 December 2004.

PUBLICATION OF INTERIM RESULTS ON WEBSITE OF THE STOCK EXCHANGE

All the financial and other related information of the Company required by the Listing Rules will be published on the website of the Stock Exchange 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 and this will include, but not limited to, legal actions taken to secure and safeguard the assets of the Company. 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, 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 and Several Receivers

Hong Kong, 22 March 2005

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