

Directors' Report

The Directors of the Company submit herewith this report together with the audited financial statements of the Company and of the Group for the year ended 30 June 2003.

For the purposes of preparing the Annual Report, the Company had forwarded various documents to the directors of the Company including directors who had resigned during the financial year to seek confirmations in respect of the following information:

1. Directors' biographical details (to all existing directors);
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") (to all existing directors);
3. Directors' interests in contracts disclosed pursuant to Section 129D(3)(j) of the Hong Kong Companies Ordinance (to all existing directors and all the directors who had resigned during the financial year except Mr. Kjell Anders Fredrik Sörme of whom the Company had lost contact); and
4. Directors' interests (excluding Mr. Liu Lit Man and Mr. Mok Chiu Kuen, existing Independent Non-Executive Directors and Mr. David Michael Norman and Mr. William Ping Tai, both of whom had resigned as Independent Non-Executive Directors during the financial year) 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 (to all existing directors and directors who had resigned during the financial year except for the aforesaid Independent Non-Executive Directors and Mr. Kjell Anders Fredrik Sörme).

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

Confirmations in respect of items one to four above have been received from Mr. Koo Hoi Yan, Donald, Ms. Fan Cho Man, Mr. Tan Lim Heng, and Ms. Gong Bei Ying. Confirmations in respect of items one to three above have been received from Mr. Liu Lit Man and Mr. Mok Chiu Kuen. 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 for items one to four above.

As at the date of signing this report, the Company has received certain confirmations from those directors who had resigned during the financial year, details of which are as follows:

Confirmations in respect of items three and four above have been received from Ms. Winnie Fok Kin Wah, Mr. James Eng, Jr. (alternate director to Mr. Kwek Leng Hai), Mr. Erik Börje Ekholm, Mr. Lee Deng Charng and Mr. Kwek Leng Hai (whose confirmations were signed by the company secretary of his office, Ms. Stella Lo, on behalf of Mr. Kwek Leng Hai) and Mr. Claes Ake Gustaf Dahlbäck. Confirmation in respect of item three above has been received from Mr. David Michael Norman. No confirmations have been received from the remaining ex-director of the Company, namely Mr. William Ping Tai.

DISCLAIMER OF LIABILITIES

The Board has taken all reasonable steps and has used its best endeavours to prepare the financial statements for the year ended 30 June 2003 with all the necessary disclosures and to meet the deadline imposed by the Listing Rules for the publication of such financial statements.

Directors' Report *(Continued)*

DISCLAIMER OF LIABILITIES *(Continued)*

Owing to the recent developments of the Company, including the limited access to the books and records of the Group and the identification of the purported loan transactions, the Board is unable to give an unqualified representation on the accuracy and completeness of the financial statements of the Group. The Board is also unable to give an unqualified representation that all transactions affecting the Group during the year ended 30 June 2003 have been included in the financial statements and also as to whether the financial statements present a true and fair view of the Group's operations and the cash flows for the year ended 30 June 2003 and financial position as at 30 June 2003. Further, the Board at a meeting on 27 October 2003 has resolved to disclaim any liabilities in respect of the financial statements of the Group for the year ended 30 June 2003.

CHANGE OF CONTROLLING SHAREHOLDER

Following completion of a sale and purchase agreement dated 3 May 2002 and as amended by a supplemental agreement dated 6 June 2002 entered into between Investor Investment imGO Limited ("Investor imGO"), Sherbourne Limited, Ericsson Holding International B.V., Trumpington Limited and New Nongkai, an unconditional cash offer (the "Share Offer") was made by BOCI Asia Limited on behalf of New Nongkai to acquire all the issued shares with a par value of HK\$0.50 each of the Company (the "Share(s)"), other than those already owned by New Nongkai and parties acting in concert with it, at an offer price of HK\$0.82 per Share. Simultaneously, an unconditional cash offer of HK\$0.07 per option (the "Option Offer") was made to all those holders of outstanding options (the "Optionholders") to surrender their options to the Company. The options (the "Options") attached the right to subscribe for shares of the Company at the subscription price of HK\$0.75 per Share.

When the Share Offer closed on 11 July 2002, New Nongkai had received valid acceptances of 824,680,092 Shares under the Share Offer which made New Nongkai and parties acting in concert with it interested in 2,655,080,092 Shares, representing approximately 87.01% of the issued share capital of the Company. On 11 July 2002, New Nongkai had also received acceptances under the Option Offer in respect of all outstanding Options. These Options were thereafter cancelled and extinguished.

Following the closing of the Share Offer, the number of Shares in public hands was therefore insufficient as required under Rule 8.08 of the Listing Rules. On 9 September 2002, 30 September 2002 and 8 November 2002, New Nongkai procured to place the respective aggregate of 159,030,000 Shares, 136,000,000 Shares and 10,500,000 Shares to independent investors to restore the public float to not less than 25% of the issued share capital of the Company.

REVIEW OF ACTIVITIES

Disposal of Wireless Technology Investments

Exercise of Put Option

In February 2003, the Company elected to exercise its rights under a put option agreement dated 3 May 2002 (the "Put Option Agreement") entered into between the Company and Investor imGO (the "Put Option"). Under the Put Option, the Company was conferred rights to require Investor imGO to purchase all of the Company's interests in the wireless technology investments in NESS Display Corporation Limited, IP Infusion Inc., InfoTalk Corporation Limited, iSilk.com, Inc. and China Greens Limited, for a total of US\$13,037,500 (equivalent to approximately HK\$101,684,000) during the period commencing from 14 September 2002 to 13 June 2003.

The exercise of the Put Option was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 25 March 2003. The exercise of the Put Option was subsequently completed on 28 March 2003.

Directors' Report *(Continued)*

REVIEW OF ACTIVITIES *(Continued)*

Investment Properties

峻嶺廣場 Jun Ling Plaza

In November 2002, the Group acquired a company, Bowyer, that owns various office units and two levels of car park spaces on the basement level in Jun Ling Plaza at a consideration of approximately HK\$33,333,000 for rental purposes. Jun Ling Plaza is located at the eastern side of Chengdu North Road and the northern side of Nanjing West Road in Huangpu District of Shanghai, the PRC. The gross floor area of the properties occupied by the Group in Jun Ling Plaza is approximately 4,465.21 square metres.

Property under Development

Wuzhong Road

In February 2003, the Group acquired a company, whose indirectly wholly-owned subsidiary, Hongxin, owns a parcel of land located at Wuzhong Road, Hong Qiao Town in Shanghai, the PRC, for approximately HK\$330,762,000. This parcel of land has a site area of approximately 96,317 square metres and was acquired for development purposes. With a plot ratio of 1.1 times, it is expected that a building with a gross floor area of approximately 105,949 square metres could be constructed for residential and commercial purposes.

Hotel Properties

Hotel Longbai

In March 2003, the Group acquired a company whose wholly-owned subsidiary, Longbai, owns Hotel Longbai, a four-star hotel in Shanghai, the PRC for approximately HK\$381,000,000. Hotel Longbai is situated at Hong Qiao Road, Shanghai, the PRC. It occupies a site with an area of approximately 21,992 square metres with a total gross floor area of approximately 31,365 square metres. Hotel Longbai comprises six buildings. The main building is used as a hotel and the other five buildings house ancillary facilities. The main building is an 11-storey four-star hotel with 385 rooms of a total gross floor area of approximately 31,214 square metres. Hotel Longbai also has various facilities including banquet halls, a fitness centre, tennis courts, a swimming pool, golf range and business centre, etc. Hotel Longbai was granted the Certificate of Four Star Hotel by the National Tourism Administration of the PRC in February 1991.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in Note 18 to the financial statements. During the year, and as outlined above, the Group acquired certain subsidiaries engaged in property investment, hotel investment and property development. During the same period, the Company disposed of and discontinued its subsidiaries engaged in wireless technology business, further details of which are included in Note 8 to the financial statements.

CHANGE OF COMPANY NAME

On 26 August 2002, the name of the Company was changed from imGO Limited 建聯通有限公司 to Shanghai Land Holdings Limited 上海地產控股有限公司.

FINANCIAL RESULTS

The consolidated results of the Group for the year ended 30 June 2003 and the state of the affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 70.

Directors' Report *(Continued)*

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers represented 17% of the Group's total turnover with the largest customer accounting for 7% 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 15% of the Group's total purchases with the largest supplier accounting for 7% of the Group's total purchases.

Save as disclosed above, none of the Directors, their associates or any shareholder (which, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

CHARITABLE DONATIONS

During the year, the Group had made charitable donations amounting to HK\$1,001,050.

DIVIDEND

The Board does not recommend any payment of dividends for the financial year ended 30 June 2003.

SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company are set out in Notes 26 and 27 to the financial statements.

SEGMENTAL INFORMATION

Details of 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 Company and the Group during the year are set out in Note 17 to the financial statements.

RESERVES

Details of movements in reserves of the Company and the Group during the year are set out in Note 28 to the financial statements.

DISTRIBUTABLE RESERVES

As at 30 June 2003, the Company did not have any distributable reserves, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

Directors' Report *(Continued)*

DIRECTORS

The Directors of the Company during the financial year were:

| | |
|--------------------------------|---|
| Mr. Chau Ching Ngai – Chairman | |
| Ms. Gong Bei Ying | |
| Mr. Jiang Dong Liang | |
| Mr. Koo Hoi Yan, Donald | |
| Mr. Mao Wei Ping | |
| Mr. Shan Zhenglin | |
| Ms. Fan Cho Man* | |
| Mr. Tan Lim Heng* | |
| Mr. Liu Lit Man** | (appointed on 11 July 2002) |
| Mr. Mok Chiu Kuen** | (appointed on 11 July 2002) |
| Mr. Lee Deng Charng | (appointed on 11 July 2002 and resigned on 1 March 2003) |
| Mr. Claes Ake Gustaf Dahlbäck | (resigned on 11 July 2002) |
| Mr. Erik Börje Ekholm | (resigned on 11 July 2002) |
| Ms. Winnie Fok Kin Wah | (resigned on 11 July 2002) |
| Mr. Kjell Anders Fredrik Sörme | (resigned on 11 July 2002) |
| Mr. Kwek Leng Hai* | (resigned on 11 July 2002) |
| Mr. David Michael Norman** | (resigned on 11 July 2002) |
| Mr. William Ping Tai** | (resigned on 11 July 2002) |
| Mr. James Eng, Jr. | (ceased to act as alternate director to Mr. Kwek Leng Hai on 11 July 2002) |

* *Non-Executive Director*

** *Independent Non-Executive Director*

In accordance with Article 104(A) of the Company's Articles of Association, Mr. Tan Lim Heng, Mr. Koo Hoi Yan, Donald and Ms. Fan Cho Man will retire at the forthcoming annual general meeting and, 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.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 33 to the financial statements, none of the 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.

Directors' Report *(Continued)*

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

As at 30 June 2003, 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 | 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 <i>(Note 1)</i> | Company | Corporate interest | Beneficial owner | 2,288,521,317 | 75 |
| Tan Lim Heng | Company | Personal interest | Beneficial owner | 14,840,000 | 0.49 |
| Mr. Chau | New Nongkai <i>(Note 2)</i> | Personal interest | Beneficial owner | 1 | 100 |

Notes:

- (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 BOCHK (the "Chargee") and were largely held for the account of Bank of China (Hong Kong) Nominees Limited as the Chargee's nominee. 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 2003.

Save as disclosed above, as at 30 June 2003, the Directors are not aware of 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.

Directors' Report *(Continued)*

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

As at 30 June 2003, 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 10% or more of the voting power at any general meeting of the Company

| Name of the person | Nature of interest | Capacity | Number of ordinary shares in interest | Approximate percentage of the issued share capital of the Company |
|--------------------------------|--------------------|------------------|---------------------------------------|---|
| New Nongkai <i>(Note 1)</i> | Corporate interest | Beneficial owner | 2,288,521,317 | 75 |
| Mr. Chau <i>(Note 2)</i> | Corporate interest | Beneficial owner | 2,288,521,317 | 75 |

Notes:

- (1) 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 Bank of China (Hong Kong) Nominees Limited as the Chargee's nominee.
- (2) 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.

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

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 2003, the Directors are not aware of 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 27 to the financial statements, no rights to acquire benefits by means of acquisition of shares or debentures of the Company were granted to any director 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 corporate body during the financial year.

SHARE OPTION SCHEME

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the financial year, detailed disclosures in respect of the Company's share option scheme are set out in Note 27 to the financial statements.

Directors' Report *(Continued)*

AUDIT COMMITTEE

The audit committee comprises two Independent Non-Executive Directors of the Company. The audit committee has reviewed and discussed the Annual Report and related announcements with the Receivers.

CODE OF BEST PRACTICE

The Company has complied throughout the financial year ended 30 June 2003 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules except that the Non-Executive Directors of the Company are not appointed for specific terms, as required by paragraph 7 of the Code and they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

CONNECTED TRANSACTIONS

(a) Put Option Agreement

Details of the Put Option Agreement were set out in the Company's circular dated 25 May 2002.

Pursuant to the circular of the Company dated 25 May 2002, the Put Option granted by Investor imGO constituted a connected transaction for the Company under the Listing Rules and a special deal under Note 4 to Rule 25 of the Code on Takeovers and Mergers and hence required the consent of the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the "Executive"). The Executive had indicated that such consent would be granted subject to an independent financial advisor opining that the terms of the Put Option Agreement were fair and reasonable and the approval of the Put Option Agreement by the shareholders of the Company, other than Investor imGO, (the "Independent Shareholders") at an extraordinary general meeting. The Put Option Agreement was subsequently approved by the Independent Shareholders at an extraordinary general meeting held on 10 June 2002.

On 17 February 2003, the Company elected to exercise its rights under the Put Option Agreement.

The exercise of the Put Option could only proceed upon the approval of the Independent Shareholders and such approval was obtained at an extraordinary general meeting of the Company held on 25 March 2003. The exercise of the Put Option was subsequently completed on 28 March 2003.

(b) Sub-Tenancy Agreements

On 21 November 2002, a sub-tenancy agreement (the "Sub-tenancy Agreement") was entered into between Profitex and Worldmark (Far East) Limited ("Worldmark"), a wholly-owned subsidiary of Shanghai Merchants Holdings Limited (Receivers and Managers Appointed) ("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 |

Directors' Report *(Continued)*

CONNECTED TRANSACTIONS *(Continued)*

(b) Sub-Tenancy Agreements *(Continued)*

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.

The respective substantial shareholders (as defined in the Listing Rules) of the Company and Shanghai Merchants are New Nongkai and Angel Field Limited, which 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. Pursuant to a conditional waiver dated 6 January 2003 granted by the Stock Exchange to the Company in respect of the strict compliance with the press announcement disclosure requirement under Rule 14.25(1) of the Listing Rules, the Independent Non-Executive Directors of the Company have reviewed the Sub-tenancy Agreement and confirmed that (i) the Transaction was entered into in the ordinary and usual course of business of the Group, on normal commercial terms and on terms that were fair and reasonable so far as the shareholders of the Company were concerned and in accordance with the terms of the Sub-tenancy Agreement; and (ii) the aggregate amount of rental involved for the financial year ended 30 June 2003 of the Company did not exceed the higher of HK\$10,000,000 or 3% of the book value of the net tangible assets of the Group for the financial year ended 30 June 2003. The auditors of the Company have also confirmed that (i) the Transaction was approved by the Board; (ii) the aggregate amount of rental involved for the financial year ended 30 June 2003 of the Company did not exceed the higher of HK\$10,000,000 or 3% of the book value of the net tangible assets of the Group for the financial year ended 30 June 2003; and (iii) the Transaction was entered into in accordance with the terms of the Sub-tenancy Agreement.

On 23 May 2003, another sub-tenancy agreement (the "Shun Loong Sub-tenancy Agreement") was entered into between Profitex and Shun Loong, a wholly-owned subsidiary of Shanghai Finance Holdings Limited ("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 independent landlord, Profitex 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.

The respective controlling shareholders of the Company and Shanghai Finance are New Nongkai and Hong Kong New Nongkai Group Limited, which 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.

Directors' Report *(Continued)*

CONNECTED TRANSACTIONS *(Continued)*

(c) 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 the entire shareholder's loan as at completion of the Conditional Agreement ("Completion") of Artic Star Limited ("Artic Star"); and (ii) the entire issued share capital and the entire shareholder's loan as at Completion of Hero Palace Holdings Limited ("Hero Palace"), for a consideration of RMB700,000,000 (equivalent to HK\$661,500,000), subject to downward adjustment. Mr. Chau, as a guarantor to King Success 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 are holding companies holding an aggregate of a 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 Chairman and 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 condition precedents of the Proposed Transaction, the Proposed Transaction had not been completed and is still pending until further notice.

To the best knowledge of the Directors of the Company, other than the above, no contract 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.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in Note 35 to the financial statements.

Directors' Report *(Continued)*

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, Mr. Kwek Leng Hai, Mr. Tan Lim Heng and Mr. James Eng, Jr. (alternate director to Mr. Kwek Leng Hai) were directors 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. Kwek Leng Hai and Mr. James Eng, Jr. had resigned as directors of the Company on 11 July 2002.

Mr. Chau is a director and controlling shareholder of Shanghai Nongkai which is engaged in a diverse range of business including property investment and development and investments in high technology business.

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 paragraph 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 71 and 72 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 2000, 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 the financial year ended 30 June 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.

By order of the Board

Koo Hoi Yan, Donald

Director

27 October 2003