

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the year ended 30th June, 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 44 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 31.

An interim dividend of HK5 cents per share amounting to HK\$1,712,776 by way of cash dividend and HK\$66,682,515 by way of scrip alternative were paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK7 cents per share to the shareholders on the Register of Members on 17th November, 2004, amounting to HK\$96,249,452.

INVESTMENT PROPERTIES

During the year, the Group acquired and disposed of its investment properties of HK\$3,375,364 and HK\$22,432,617, respectively, transferred from properties under development of HK\$144,203,026 and revalued all its investment properties at the year end date. Net surplus on revaluation amounting to HK\$1,712,732,047 has been credited directly to the investment property revaluation reserve.

Details of these and other movements during the year in the investment properties of the Group are set out in note 15 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Company and the Group are set out in note 17 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 30th June, 2004 are set out on pages 98 to 110.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates at 30th June, 2004 are set out in notes 44 and 45 to the financial statements, respectively.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the financial statements.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed shares of the Company during the year.

CONVERTIBLE NOTES

Details of the convertible notes of the Group are set out in note 29 to the financial statements. The convertible notes were fully converted during the year.

TREASURY, GROUP BORROWINGS AND INTEREST CAPITALISED

The Group maintains a prudent approach in its treasury management with foreign exchange exposure being kept at a minimal level and interest rates on a floating rate bases. Bank loans, overdrafts and other borrowings repayable within one year or on demand are classified as current liabilities. Repayment analysis of bank loans and other borrowings as at 30th June, 2004 are set out in note 27 to the financial statements.

Interest expenses capitalised by the Group during the year in respect of properties under development amounted to HK\$57,305,510.

DIRECTORS' REPORT *(Continued)*

DIRECTORS The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Robert Ng Chee Siong
Mr. Raymond Tong Kwok Tung

Independent Non-executive Directors

Mr. Ronald Joseph Arculli, GBS, OBE, JP
Mr. Paul Cheng Ming Fun, JP

In accordance with the provisions of the Company's Articles of Association, Mr. Paul Cheng Ming Fun, JP will retire at the forthcoming Annual General Meeting and, who being eligible, will offer himself for re-election.

DIRECTORS' INTERESTS As at 30th June, 2004, the interests and short positions held by the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Long Positions in Shares of the Company

| Name of Directors | Number of Ordinary Shares | Capacity and Nature of Interest | % of Issued Share Capital |
|--|----------------------------------|--|----------------------------------|
| Mr. Robert Ng Chee Siong | 527,508 | Beneficial owner | 0.03% |
| Mr. Ronald Joseph Arculli, GBS, OBE, JP | 60,000 | Beneficial owner | ≈ 0% |
| Mr. Paul Cheng Ming Fun, JP | – | – | – |
| Mr. Raymond Tong Kwok Tung | – | – | – |

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS (Continued)

(b) Long Positions in Shares of Associated Corporations

(i) Subsidiary Company

Sino Land Company Limited

| Name of Directors | Number of Ordinary Shares | Capacity and Nature of Interest | % of Issued Share Capital |
|--|---------------------------|--|---------------------------|
| Mr. Robert Ng Chee Siong | 2,621,698 | Beneficial owner of 117,062 shares and spouse interest in 2,504,636 shares | 0.06% |
| Mr. Ronald Joseph Arculli, GBS, OBE, JP | 1,044,095 | Beneficial owner | 0.02% |
| Mr. Paul Cheng Ming Fun, JP | 61,085 | Beneficial owner | ≈ 0% |
| Mr. Raymond Tong Kwok Tung | – | – | – |

(ii) Associated Companies

Mr. Robert Ng Chee Siong was deemed to be interested in shares of the following companies through corporations controlled by him:

| Name of Associated Companies | Number of Ordinary Shares | % of Issued Share Capital |
|---|---------------------------|---------------------------|
| Better Chief Limited | 50 (Notes 1 & 2) | 50% |
| Brighton Land Investment Limited | 1,000,002 (Notes 1 & 3) | 100% |
| Dramstar Company Limited | 440 (Notes 1 & 4) | 44% |
| Empire Funds Limited | 1 (Notes 1 & 5) | 50% |
| Erleigh Investment Limited | 110 (Notes 1 & 5) | 55% |
| Eternal Honest Finance Company Limited | 1 (Notes 1 & 5) | 50% |
| Famous Empire Finance Limited | 5 (Notes 1 & 6) | 50% |
| Famous Empire Properties Limited | 5,000 (Notes 1 & 6) | 50% |
| Island Resort Estate Management Company Limited | 10 (Notes 1 & 5) | 50% |
| Jade Result Limited | 500,000 (Notes 1 & 5) | 50% |
| Jumbo Funds Limited | 1 (Notes 1 & 7) | 50% |
| Murdoch Investments Inc. | 2 (Notes 1 & 3) | 100% |
| Perfect Finance Limited | 1 (Notes 1 & 5) | 50% |
| Real Maker Development Limited | 20,000 (Notes 1 & 8) | 10% |
| Rich Century Investment Limited | 500,000 (Notes 1 & 5) | 50% |
| Silver Link Investment Limited | 10 (Notes 1 & 5) | 50% |
| Sino Club Limited | 2 (Note 9) | 100% |
| Sino Parking Services Limited | 450,000 (Note 10) | 50% |
| Sino Real Estate Agency Limited | 50,000 (Note 10) | 50% |

DIRECTORS' REPORT *(Continued)*

DIRECTORS' INTERESTS *(Continued)*

(b) Long Positions in Shares of Associated Corporations *(Continued)*

(ii) Associated Companies *(Continued)*

Notes:

1. Osborne Investments Ltd. ("Osborne") was a wholly-owned subsidiary of Seaview Assets Limited which was in turn 100% owned by Boswell Holdings Limited in which Mr. Robert Ng Chee Siong had a 50% control.
2. The shares were held by Devlin Limited, a wholly-owned subsidiary of Osborne.
3. The shares were held by Erleigh Investment Limited, a company 55% controlled by Osborne.
4. The shares were held by Jade Result Limited, a company 50% controlled by Osborne.
5. The share(s) was(were) held by Osborne.
6. The shares were held by Standard City Limited, a wholly-owned subsidiary of Osborne.
7. The shares were held by Pure Win Company Limited, a wholly-owned subsidiary of Osborne.
8. The shares were held by Goegan Godown Limited, a wholly-owned subsidiary of Osborne.
9. The shares were held by Sino Real Estate Agency Limited, a company 50% controlled by Deansky Investments Limited in which Mr. Robert Ng Chee Siong had a 100% control.
10. The shares were held by Deansky Investments Limited.

(c) Long Positions in Underlying Shares and Debentures Short Positions in Shares, Underlying Shares and Debentures

There were no long positions in the underlying shares and debentures or any short positions in the shares, underlying shares and debentures of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

Pursuant to paragraph 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this report, Mr. Robert Ng Chee Siong, the Chairman of the Board, held interests and/or directorships in companies engaged in businesses of property investment, development and management in Hong Kong.

As the Board of Directors of the Company is independent of the boards of these companies and maintains two Independent Non-executive Directors, the Group operates its businesses independently of, and at arm's length from, the businesses of these companies.

DIRECTORS' REPORT *(Continued)*

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Apart from the transactions disclosed under the heading "Related Party Transactions" as set out in note 43 to the financial statements, there were no other contracts of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

None of the Directors of the Company has a service contract with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

CONNECTED TRANSACTIONS

1. During the year, the Group entered into the following connected transactions, particulars of which are disclosed herein as required under the Listing Rules:

(a) The Chengdu Acquisition

On 11th June, 2004, 中海信和（成都）物業發展有限公司 (China Overseas Sino Land (Chengdu) Property Development Ltd.*), a joint venture company held as to 80% by the China Overseas Group (comprising China Overseas Land & Investment Limited ("China Overseas") and its subsidiaries) and 20% by the Sino Land Group (comprising the Company's listed subsidiary, Sino Land Company Limited ("Sino Land") and subsidiaries of Sino Land), was formed to acquire the land use right of a property (the "Property") located in Chengdu, the People's Republic of China (the "PRC"), which was awarded to the China Overseas Group and the Sino Land Group in a public auction (the "Chengdu Acquisition").

The Property comprises of a site of approximately 1,811 mu and, pending the delivery by the municipal government of Chengdu of vacant possession, an adjacent site of 175 mu located in the Jin Niu District (also known as Golden Bull District) in Chengdu, the PRC. The Property can be developed for residential use, community service facilities, government facilities, urban green zones and other uses. The aggregate consideration for the Chengdu Acquisition of approximately RMB1.2 billion (approximately HK\$1.13 billion) will be paid by the China Overseas Group and the Sino Land Group on an 80:20 basis. The Chengdu Acquisition is a good investment opportunity in the PRC for the Group and it also helps to replenish its land bank for development purposes.

(b) The Honey Lake Acquisition

On 16th April, 2004, the Sino Land Group and the China Overseas Group jointly participated in an acquisition of the land use right of a property in Shenzhen, the PRC, in a public auction (the "Honey Lake Acquisition"). 深圳盛輝物業發展有限公司 (Shenzhen Sheng Huei Property Development Limited*), which is owned as to 50% by the China Overseas Group and 50% by the Sino Land Group, was subsequently formed for the purpose of the Honey Lake Acquisition on 29th April, 2004.

* English translation for identification purposes only

DIRECTORS' REPORT (Continued)

CONNECTED TRANSACTIONS (Continued)

1. (Continued)

(b) The Honey Lake Acquisition (Continued)

The property in the Honey Lake Acquisition is a 93,544 square meter site located at Futian's Honey Lake in Shenzhen, the PRC, for residential and commercial development. The aggregate consideration for the Honey Lake Acquisition of RMB950 million (approximately HK\$893.95 million) was paid by the Sino Land Group and the China Overseas Group on a 50:50 basis. The Honey Lake Acquisition is a good investment opportunity in the PRC for the Group and it also helps to build up its land bank for development purposes.

(c) Awarding of construction contracts

In the ordinary and usual course of business of the Group of property development, the Sino Land Group awards construction contracts for its property developments to certain construction companies that participate in their highly competitive tendering process. During the year, certain construction contracts were awarded by the Sino Land Group to the China Overseas Group, details of which are as follows:

| | | Parties to the Contract | | | | |
|---------------|------------------------------------|----------------------------|---|---|---|---------------------------|
| Sino Land No. | Sino Land Group | % owned by Sino Land Group | China Overseas Group | Nature of Works | Date of Letter of Award or Letter of Intent | Contract Sum HK\$ million |
| 1. | Active Success Development Limited | 100 | China Overseas Building Construction Ltd. | Main contract at KIL11158, Hoi Fai Road, West Kowloon Reclamation | 22.11.03 | 654.9 |
| 2. | Full Fair Limited | 100 | China State Construction Engineering (Hong Kong) Ltd. | Foundation and railway depot works main contract and foundation at STTL 470 Ho Tung Lau (Site A), Shatin, New Territories | 25.03.04 | 569.0 |
| | | | China Overseas Mech. & Elect. Eng. Ltd. | Air conditioning and mechanical ventilation installation nominated sub-contract at STTL 470 Ho Tung Lau (Site A), Shatin, New Territories | 13.05.04 | 5.3 |
| 3. | Prime Harvest Development Limited | 100 | China Overseas Mech. & Elect. Eng. Ltd. | MVAC installation (podium) nominated sub-contract for URA Site TWTL398, Tai Ho Road/ Yeung Uk Road, Tsuen Wan, New Territories | 20.05.04 | 29.8 |

Prior to 23rd July, 2004, China Overseas was a substantial shareholder of certain non wholly-owned subsidiaries of Sino Land (and in turn the Company), and therefore under the Listing Rules, China Overseas was a connected person of the Company. On 23rd July, 2004, Sino Land acquired the remaining shareholding interests from the other shareholders of these non wholly-owned subsidiaries on an arm's length basis resulting in them becoming wholly-owned subsidiaries of Sino Land. As a result, China Overseas ceased to be a connected person of the Company.

DIRECTORS' REPORT *(Continued)*

CONNECTED TRANSACTIONS *(Continued)*

2. During the year, the Group also conducted the following connected transactions. These transactions are exempted from all reporting and announcement and independent shareholders' approval requirements under the Listing Rules which came into effect on 31st March, 2004. Nevertheless, these transactions were subject to reporting requirements under the preceding Listing Rules and are included here for information purposes only.

(a) Advances by the Group in the form of shareholders' loans

During the year, the Sino Land Group made advances in the form of shareholders' loans to its associates and a non wholly-owned subsidiary as working capital. These associates and the non wholly-owned subsidiary are companies that were formed previously in the ordinary and usual course of business of the Sino Land Group of property development with its joint venture partners. All these advances were made on a pro-rata basis in accordance with their respective shareholdings. All these advances are unsecured and have no fixed repayment terms. Details of these advances are as follows:

| No. | Company | Shareholding interest of Sino Land | Other Shareholders | Amount HK\$ million | Annual interest rate (%) |
|-----|---|--|--|------------------------|--------------------------------|
| 1. | Empire Funds Limited | 50% | Ng Family | 4.8 | 3.0 |
| 2. | Erleigh Investment Limited & Murdoch Investments Inc. | 45% | Ng Family | 20.6 | 4.0 |
| 3. | Harvest Sun (B.V.I.) Limited | 30% | Bank of China Group Investment Ltd., Capitaland Limited, China Overseas and Kerry Properties Limited | 63.0 | – |
| 4. | Olympian City 2 Finance Company Limited | 50% | China Overseas and Kerry Properties Limited | 12.3 | Prime plus 0.2% |
| 5. | Rich Century Investment Limited | 50% | Ng Family | 12.4 | 1.0 |
| 6. | Firm Wise Investment Limited | 70% | South China Information and Technology Limited | 17.2 | 0.5 |

Note: Ng Family is defined as Mr. Ng Teng Fong, Mr. Robert Ng Chee Siong, Mr. Philip Ng Chee Tat and their respective associates.

Kerry Properties Limited and South China Information and Technology Limited are substantial shareholders of certain non wholly-owned subsidiaries of Sino Land (and in turn the Company) and therefore under the Listing Rules, they are connected persons of the Company. By virtue of Mr. Ng Teng Fong being a substantial shareholder of the Company, and the Ng Family being an associate of Mr. Ng Teng Fong, the Ng Family is therefore a connected person of the Company under the Listing Rules.

CONNECTED TRANSACTIONS *(Continued)*

2. *(Continued)*

(b) Sharing of administrative expenses

Sino Administration Services Limited, a wholly-owned subsidiary of Sino Land, provides administrative services to the Ng Family and the Sino Group (defined as the Group and Sino Hotels (Holdings) Limited and its subsidiaries), which include office administrative support services, secretarial services, and company secretarial, accounting and legal services. The sharing of administrative services are determined on the basis of: (i) gross floor area for each of the completed properties and properties under development for the Sino Group and the Ng Family; and (ii) an additional factor of 0.3 being applied to the gross floor area for the Sino Group to reflect the approximate additional administrative service costs incurred by a listed group as compared to a private company. During the year, the amount of the administrative service fees received from the Ng Family was approximately HK\$45.0 million.

3. During the year, the Group also conducted the following connected transactions, particulars of which are disclosed herein as required under the Listing Rules:

(a) Awarding of construction contracts

During the year, in the ordinary and usual course of business of the Ng Family, which includes property development and investment, it awarded Fung Yuen Construction Company Limited, a wholly-owned subsidiary of Sino Land, a construction contract for a property development owned by Rich Century Investment Limited, which is owned as to 50% by the Ng Family and 50% by Sino Land. The contract was awarded, after a highly competitive tendering process, on 22nd August, 2003 at the same price as the lowest tender on a back-to-back basis. The construction contract was for the interior fitting-out works for tenancy areas at NKIL5846, 12 Kai Shun Road, Kowloon Bay, Kowloon and the contract sum was approximately HK\$58.3 million.

(b) Provision of building cleaning services

Best Result Cleaning Services Limited, a wholly-owned subsidiary of Sino Land, provided building cleaning services to certain buildings which were owned by the Ng Family. These services were provided on a cost-plus basis in line with terms available to other independent third party customers. During the year, the amount of the building cleaning service fees received from the Ng Family was approximately HK\$14.8 million.

DIRECTORS' REPORT *(Continued)*

CONNECTED TRANSACTIONS *(Continued)*

3. *(Continued)*

(c) Provision of parking lot management services

Sino Parking Services Limited, a company held as to 50% by Sino Land and 50% by the Ng Family, provided parking lot management services to properties of the Sino Land Group. These services were provided at a management fee equal to 12% on the total gross revenue from car parking operations, which is in line with the margin available to other independent third party customers taking into account the relevant risk factors. During the year, the amount of the parking lot management service fees received by Sino Parking Services Limited from the Sino Land Group was approximately HK\$11.1 million.

(d) Provision of estate management services

Sino Estates Management Limited, a wholly-owned subsidiary of Sino Land, provided estate management services to certain buildings owned by the Ng Family. The pricing of the services was determined with reference to the size and type of the buildings, which was in line with those provided to other independent third parties. During the year, the amount of the management service fees received from the Ng Family was approximately HK\$11.1 million.

(e) Provision of management services

Sino Estates Services Limited, a wholly-owned subsidiary of Sino Land, provided management services to certain buildings which were owned by the Ng Family. The pricing policy for these services are determined with reference to the size and type of the buildings, which is in line with terms available to other independent third party customers. During the year, the amount of the management service fees received from the Ng Family was approximately HK\$3.1 million.

(f) Provision of security guard services

Sino Security Services Limited, a wholly-owned subsidiary of Sino Land, provided security guard services to buildings owned by the Ng Family. These services were provided on a cost-plus basis, which are in line with terms available to other independent third party customers. During the year, the amount of the security guard service fees received from the Ng Family was approximately HK\$24.4 million.

(g) Lease of premises

During the year, the Sino Land Group leased premises from the Ng Family. All lease arrangements were negotiated on an arm's length basis and on normal commercial terms with reference to the prevailing market rental value of the particular premises. During the year, the amount of rent paid by the Sino Land Group to the Ng Family was approximately HK\$19.4 million.

DIRECTORS' REPORT *(Continued)*

CONNECTED TRANSACTIONS *(Continued)*

3. *(Continued)*

The above connected transactions have been reviewed by the Directors of the Company (including the Independent Non-executive Directors). The Independent Non-executive Directors have confirmed that during the year, the above connected transactions were all conducted and entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on an arm's length basis, on normal commercial terms and on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (iii) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Details of other related party transactions are set out in note 43 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30th June, 2004, the interests and short positions of the Substantial Shareholders and other shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO were as follows:

(a) Long Positions in Shares of the Company

| Name of Substantial Shareholders | Number of Ordinary Shares | Capacity and Nature of Interest | % of Issued Share Capital |
|----------------------------------|---|---|---------------------------|
| Mr. Ng Teng Fong | 986,222,856 <i>(Notes 1 & 2)</i> | Beneficial owner of 78,086,892 shares, spouse interest in 61,080 shares and interest of controlled corporations in 908,074,884 shares | 71.72% |
| Strathallan Investment Limited | 250,848,217 <i>(Note 2)</i> | Beneficial owner | 18.24% |
| Tamworth Investment Limited | 374,332,151 <i>(Note 2)</i> | Beneficial owner | 27.22% |

DIRECTORS' REPORT *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS *(Continued)*

(a) Long Positions in Shares of the Company *(Continued)*

| Name of Other Shareholders | Number of Ordinary Shares | Capacity and Nature of Interest | % of Issued Share Capital |
|--------------------------------|--------------------------------|---|---------------------------|
| Fanlight Investment Limited | 94,108,009 <i>(Note 2)</i> | Beneficial owner | 6.84% |
| Nippomo Limited | 127,541,971 <i>(Note 2)</i> | Beneficial owner | 9.27% |
| Solid Capital Holdings Limited | 136,352,510 | Security interest in 136,293,249 shares and beneficial owner of 59,261 shares | 9.92% |

Notes:

- 908,074,884 shares were held through companies which were 100% controlled by Mr. Ng Teng Fong – 94,108,009 shares by Fanlight Investment Limited, 127,541,971 shares by Nippomo Limited, 2,992,211 shares by Orient Creation Limited, 250,848,217 shares by Strathallan Investment Limited, 374,332,151 shares by Tamworth Investment Limited and 58,252,325 shares by Transpire Investment Limited.
- The interests of Strathallan Investment Limited, Tamworth Investment Limited, Fanlight Investment Limited and Nippomo Limited were duplicated in the interests of Mr. Ng Teng Fong.

(b) Long Positions in Underlying Shares Short Positions in Shares and Underlying Shares

There were no long positions in the underlying shares or any short positions in the shares and underlying shares of the Company, which were recorded in the register as required to be kept under Section 336 of Part XV of the SFO.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$562,000.

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 90% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 55% of the Group's total purchases.

The percentage of sales attributable to the Group's five largest customers is less than 30% of the Group's total sales for the year and the Directors do not consider any one customer or supplier to be influential on the Group.

DIRECTORS' REPORT *(Continued)*

COMPLIANCE COMMITTEE A Compliance Committee comprising the Legal and Company Secretary Director, the two Heads of the Legal and Company Secretarial Departments, the Director of Development Department, Chief Executive Officer (Hotel) (or his designated personnel), the Chief Financial Officer, department heads without an overseeing director and the Compliance Officer was established on 30th August, 2004 to enhance the corporate governance of the Group. The Compliance Committee has dual reporting lines. A principal reporting line to the Board through the Legal and Company Secretary Director, who will chair the Compliance Committee. A secondary reporting line will be to the Audit Committee.

AUDIT COMMITTEE Pursuant to the requirements of the Listing Rules, an Audit Committee comprising Messrs. Ronald Joseph Arculli, GBS, OBE, JP and Paul Cheng Ming Fun, JP, Independent Non-executive Directors, was established on 23rd September, 1998. The Audit Committee reports to the Board and has held regular meetings since its establishment to review and recommend to improve the Group's financial reporting process and internal controls.

CODE OF BEST PRACTICE The Company has complied throughout the year ended 30th June, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

The term of office for each Independent Non-executive Director is the period up to his retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Articles of Association.

AUDITORS A resolution will be submitted to the Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Robert NG Chee Siong
Chairman

Hong Kong, 22nd September, 2004

Note: Dr. Allan Zeman, GBS, JP has been appointed an Independent Non-executive Director and a member of the Audit Committee of the Company on 30th September, 2004 subsequent to the date of the Report of the Directors. In accordance with the Company's Articles of Association, Dr. Zeman will also retire at the forthcoming Annual General Meeting and, who being eligible, will offer himself for re-election.