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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanghai Land Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

**Shanghai Land Holdings Limited****上海地產控股有限公司***(Incorporated in Hong Kong with limited liability)***ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
AND THE ENTIRE OUTSTANDING SHAREHOLDER'S LOAN TO
ARTIC STAR LIMITED AND
HERO PALACE HOLDINGS LIMITED
(DISCLOSEABLE AND CONNECTED TRANSACTION)****AGENCY ARRANGEMENT FOR
THE SALE OF DÉ ORIENTAL LONDON
(ONGOING CONNECTED TRANSACTION)****Independent Financial Adviser to the Independent Board Committee****CAPITAL
CSC Asia Limited**

A letter from the Independent Board Committee is set out on pages 16 to 17 of this circular. A letter from CSC Asia Limited containing its advice to the Independent Board Committee is set out on pages 18 to 30 of this circular.

A notice convening an extraordinary general meeting of Shanghai Land Holdings Limited to be held at 67th Floor, The Center, 99 Queen's Road Central, Hong Kong on 3rd June, 2003 at 9:30 a.m. is set out on pages 41 to 42 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or adjourned meeting (as the case may be) should you so desire.

19th May, 2003

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“Agency Agreement”	the agency agreement dated 5th September, 2002 entered into between Shanghai Paullee and Uni-Pac regarding the appointment of Uni-Pac as the agent for the sale of Dé Oriental London
“Artic Star”	Artic Star Limited, a company incorporated in the BVI, which directly owns a 20% equity interest in Polyplace Investments
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Shanghai Land Holdings Limited, a company incorporated in Hong Kong, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Conditional Sale and Purchase Agreement (which is subject to the conditions as set out under the paragraph headed “Conditions Precedent of the Proposed Transaction” being fulfilled or waived (if applicable) by the parties to the Conditional Sale and Purchase Agreement)
“Conditional Sale and Purchase Agreement”	the Conditional Sale and Purchase Agreement dated 25th April, 2003 entered into between King Success, Fortune Harbour and Mr. Chau regarding (inter alia) the acquisition of 100% equity interest in each of Artic Star and Hero Palace
“Consideration”	the consideration of RMB700 million (equivalent to approximately HK\$661.5 million) for the Proposed Transaction subject to deduction of up to US\$4.5 million (equivalent to approximately HK\$35.1 million)
“CSC Asia”	CSC Asia Limited, a licensed corporation registered for types 4, 6 and 9 of regulated activities under the SFO and the independent financial adviser to the Independent Board Committee
“Dé Oriental London”	a luxurious residential development project, containing (inter alia) two inter-connected 25-storey luxurious residential buildings, a 4-storey service apartment building, a clubhouse and carparks located at Gubei Road, Chiangning District in Shanghai developed by Shanghai Paullee

DEFINITIONS

“Development”	the development of Dé Oriental London pursuant to the plans and the terms and conditions as stipulated in the Conditional Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider (inter alia) the Proposed Transaction
“Fortune Day”	Fortune Day Limited, a company incorporated in the BVI with limited liability, which is wholly owned by Ms. Mo Yuk Ping, the spouse of Mr. Chau
“Fortune Harbour”	Fortune Harbour Limited, a company incorporated in the BVI with limited liability, which is wholly owned by Mr. Chau
“Group”	the Company together with its subsidiaries and associated companies
“Hero Palace”	Hero Palace Holdings Limited, a company incorporated in the BVI with limited liability, which directly owns a 80% equity interest in Polyplace Investments
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Messrs. Liu Lit Man and Mok Chiu Kuen, both being independent non-executive Directors
“Independent Shareholders”	Shareholders other than Mr. Chau and his associates
“King Success”	King Success Holdings Limited, a company incorporated in the BVI with limited liability and is a wholly owned subsidiary of the Company
“Latest Practicable Date”	16th May, 2003, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information of inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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“Long Stop Date”	the 60th business day after the date of the Conditional Sale and Purchase Agreement or such other date the parties to the Conditional Sale and Purchase Agreement may mutually agree in writing
“Mr. Chau”	Mr. Chau Ching Ngai, a Director and the controlling shareholder of the Company
“Ms. Mo”	Ms. Mo Yuk Ping, the spouse of Mr. Chau
“Ongoing Connected Transaction”	the transaction contemplated under the Agency Agreement
“Polyplace Investments”	Polyplace Investments Limited, a company incorporated in Hong Kong with limited liability
“PRC”	the People’s Republic of China
“Proposed Transaction”	the transaction contemplated under the Conditional Sale and Purchase Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Paullee”	Shanghai Paullee Real Estate Development Co., Ltd. (上海寶城房地產發展有限公司), a wholly-foreign-owned enterprise established on 9th September, 1992
“Shanghai Paullee Group”	Artic Star, Hero Palace, Polyplace Investments and Shanghai Paullee
“Share(s)”	share(s) of HK\$0.50 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Uni-Pac”	Uni-Pac Property Consultants (Shanghai) Limited, a company incorporated in Hong Kong with limited liability which is owned as to 70% equity interest by Fortune Day which is in turn wholly owned by Ms. Mo and the remaining 30% equity interest are owned by two independent third parties which are not connected with the Company or the directors, chief executive or substantial Shareholders of the Company or its subsidiaries or their respective associates
“Valuation Report”	the valuation report in respect of Dé Oriental London dated 19th May, 2003 prepared by Vigers

DEFINITIONS

“Vigers”	Vigers Hong Kong Limited, an independent property valuer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“sq.m.”	square meter(s)

In this circular, the translation of RMB and US\$ into Hong Kong dollars are based on the exchange rate of RMB1.00 to HK\$0.945 and US\$1.00 to HK\$7.80. The above translation should not be construed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate at all.

LETTER FROM THE BOARD



Shanghai Land Holdings Limited

上海地產控股有限公司

(Incorporated in Hong Kong with limited liability)

Executive Directors:

Chau Ching Ngai (*Chairman*)

Gong Bei Ying

Jiang Dong Liang

Mao Wei Ping

Shan Zhenglin

Koo Hoi Yan, Donald

Registered office:

67th Floor, The Center

99 Queen's Road Central

Hong Kong

Non-executive Directors:

Tan Lim Heng

Fan Cho Man

Independent non-executive Directors:

Liu Lit Man

Mok Chiu Kuen

19th May, 2003

To the Shareholders

Dear Sir or Madam,

**ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND
THE ENTIRE OUTSTANDING SHAREHOLDER'S LOAN TO
ARTIC STAR LIMITED AND
HERO PALACE HOLDINGS LIMITED
(DISCLOSEABLE AND CONNECTED TRANSACTION)**

**AGENCY ARRANGEMENT FOR
THE SALE OF DÉ ORIENTAL LONDON
(ONGOING CONNECTED TRANSACTION)**

1. INTRODUCTION

It was announced on 28th April, 2003, King Success, a wholly owned subsidiary of the Company, has entered into the Conditional Sale and Purchase Agreement on 25th April, 2003 with Fortune Harbour and Mr. Chau, pursuant to which (inter alia) King Success conditionally agreed to purchase and, Fortune

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Harbour conditionally agreed to sell (i) the entire issued share capital of, the entire shareholder's loan and related parties loans as at Completion to Artic Star; and (ii) the entire issued share capital of, the entire shareholder's loan and related parties loans as at Completion to Hero Palace, for a consideration of RMB700 million (equivalent to approximately HK\$661.5 million), subject to deduction. Mr. Chau, as 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 Sale and Purchase Agreement. The Consideration will be satisfied in cash by internal resources.

The terms of the Conditional Sale and Purchase Agreement and the basis of Consideration have been arrived at after arm's length negotiations and are based on normal commercial terms with reference to an independent property valuation as at 31st March, 2003 of Dé Oriental London of RMB1,000 million (equivalent to approximately HK\$945 million) performed by Vigers. The Directors believe that the Proposed Transaction represents an excellent opportunity for the Company to diversify its property investment in the PRC and to capture the exponential growth in the property market in the PRC and particularly in Shanghai.

Mr. Chau is a Director and the controlling shareholder of the Company holding approximately 75% equity interest and Fortune Harbour is wholly owned by Mr. Chau. Accordingly, Fortune Harbour is a connected person of the Company under the Listing Rules and as the Consideration exceeds 15% of the net asset value of the Group as at 31st December, 2002, it constitutes a discloseable and connected transaction for the Company and may only proceed with the approval of the Independent Shareholders pursuant to Rule 14.26 of the Listing Rules. As Mr. Chau has an interest in the Proposed Transaction, Mr. Chau and his associates will abstain from voting at the EGM.

Upon Completion, the arrangement under the Agency Agreement in respect of the sales of Dé Oriental London will constitute an ongoing connected transaction for the Company under Rule 14.25(1) of the Listing Rules as the Directors expect that the amount of agency commission payable to Uni-Pac, which is owned as to 70% by Ms. Mo, pursuant to the Agency Agreement for each year will be less than the higher of HK\$10,000,000 or 3% of the net tangible asset value of the Group for each of the three years ending 30th June, 2005 which would normally be subject to certain disclosure requirements. The Directors believe that it would not be practical to make disclosure of the Ongoing Connected Transaction on each occasion as it arises. The Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under the Listing Rules in respect of the Ongoing Connected Transaction.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Proposed Transaction. An independent financial adviser, CSC Asia, has been appointed to advise the Independent Board Committee on whether the terms of the Proposed Transaction are fair and reasonable so far as the Independent Shareholders are concerned.

The purposes of the circular are: (i) to give you further information on, among other matters, the Proposed Transaction and the Ongoing Connected Transaction; (ii) to set out the recommendation of the Independent Board Committee in respect of the Proposed Transaction; (iii) to set out the letter of advice from CSC Asia to the Independent Board Committee in respect of the Proposed Transaction; (iv) to set out the Valuation Report performed by Vigers in relation to Dé Oriental London; and (v) to give you notice of the EGM to consider and, if thought it, to approve the Proposed Transaction.

LETTER FROM THE BOARD

2. THE PROPOSED TRANSACTION

Date of the Conditional Sale and Purchase Agreement:

25th April, 2003

Parties:

Vendor: Fortune Harbour, a company wholly owned by Mr. Chau

Purchaser: King Success, a wholly owned subsidiary of the Company

Guarantor: Mr. Chau

Assets to be acquired:

Pursuant to the Conditional Sale and Purchase Agreement, King Success conditionally agreed to purchase and, Fortune Harbour conditionally agreed to sell (i) the entire issued share capital of, the entire shareholder's loan and related parties loans as at Completion to Artic Star (as at 31st January, 2003, the shareholder's loan amounted to approximately HK\$29,567,556); and (ii) the entire issued share capital of, the entire shareholder's loan and related parties loans as at Completion to Hero Palace (as at 31st January, 2003, the shareholder's loan and the net balance of amounts due to related parties amounted to approximately HK\$118,257,374 and HK\$322,650,908 respectively), for a consideration of RMB700 million (equivalent to approximately HK\$661.5 million), subject to certain conditions precedent as described in paragraph 4 below. The Consideration will be satisfied in cash by internal resources. The terms of the shareholders' loans and related parties loans from Fortune Harbour or its related parties to Artic Star and Hero Palace are both unsecured, interest free and repayable on demand. Artic Star and Hero Palace will each become a wholly owned subsidiary of King Success upon Completion.

Information on Artic Star

Artic Star was incorporated on 5th July, 2001 under the laws of BVI and is wholly owned by Mr. Chau, a Director and the controlling shareholder of the Company holding approximately 75% equity interest, through Fortune Harbour. Artic Star is an investment holding company whose sole asset is its 20% interest in Polyplace Investments, which in turn wholly owns Shanghai Paullee.

The audited consolidated loss before and after taxation of Artic Star from the date of incorporation to the period ended 31st July, 2002 was approximately HK\$0.2 million. The audited consolidated net liabilities of Artic Star as at 31st July, 2002 were approximately HK\$0.1 million. The audited consolidated loss before and after taxation of Artic Star for the six months ended 31st January, 2003 was approximately HK\$1.2 million. The audited consolidated net liabilities of Artic Star as at 31st January, 2003, were approximately HK\$1.3 million.

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Information on Hero Palace

Hero Palace was incorporated on 16th August, 2001 under the laws of BVI and is wholly owned by Mr. Chau, a Director and the controlling shareholder of the Company, through Fortune Harbour. Hero Palace is an investment holding company whose sole asset is its 80% interest in Polyplace Investments, which in turn wholly owns Shanghai Paullee.

The audited consolidated loss after taxation and after minority interest of Hero Palace from the date of incorporation to the period ended 31st July, 2002 was approximately HK\$0.6 million. The audited consolidated net liabilities after minority interests of Hero Palace as at 31st July, 2002 were approximately HK\$0.5 million. The audited consolidated loss after taxation and after minority interest of Hero Palace for the six months ended 31st January, 2003 was approximately HK\$4.6 million. The audited consolidated net liabilities after minority interests of Hero Palace as at 31st January, 2003 were approximately HK\$5.1 million.

Information on Polyplace Investments

Polyplace Investments is an intermediate holding company whose sole asset is its 100% interest in Shanghai Paullee which in turn wholly owns Dé Oriental London. Polyplace Investments was incorporated on 12th March, 1992 under the laws of Hong Kong.

The unaudited consolidated loss before and after taxation of Polyplace Investments for the six months ended 31st January, 2003 was approximately HK\$5.8 million. The unaudited consolidated net asset value of Polyplace Investments as at 31st January, 2003 were approximately HK\$16.7 million.

Information on Shanghai Paullee

Shanghai Paullee is principally engaged in property development, investment and management in the PRC and is the developer of Dé Oriental London, a luxurious residential project situated at Gubei Road, Chiangning District, Shanghai. The unaudited loss before and after taxation of Shanghai Paullee for the period from 1st January, 2002 to 31st July, 2002 and from 1st August, 2002 to 31st January, 2003 were approximately HK\$0.8 million and HK\$5.8 million respectively. The unaudited net asset value of Shanghai Paullee as at 31st January, 2003, was approximately HK\$16.5 million.

Upon completion of the Development which is expected to be on or before the first anniversary of the date of the Conditional Sale and Purchase Agreement, Dé Oriental London will comprise two inter-connected 25-storey residential buildings, a 4-storey service apartment building, a clubhouse and carparks. Up to the date of this circular, the exterior construction works of Dé Oriental London has been substantially completed and Shanghai Paullee will start the interior

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decoration of Dé Oriental London at the third quarter of 2003. The table below sets out the key development statistics of Dé Oriental London:

Function	Gross floor area (sq.m.)
Apartments	45,210
Service apartments	1,207
Club House	3,504
Car parks	3,719
	<hr/>
	53,640
	<hr/> <hr/>

The registered capital of Shanghai Paullee is US\$9.3 million (equivalent to approximately HK\$72.5 million) and such registered capital has not been fully paid up. As the investment on Dé Oriental London was increased substantially by Shanghai Paullee in 2002, the Shanghai Administration of Industry and Commerce (“SAIC”) has requested the shareholder of Shanghai Paullee, Polyplace Investments, to inject further capital to Shanghai Paullee in order to renew and obtain a new business license from the SAIC. Polyplace Investments had an negotiation with SAIC in November 2002 and SAIC has agreed to issue the business license to Shanghai Paullee first with a condition that Polyplace Investments would undertake to inject further capital of approximately US\$4.5 million (equivalent to approximately HK\$35.1 million) into Shanghai Paullee before 30th June, 2003. Pursuant to the Conditional Sale and Purchase Agreement, should the remaining capital contribution remain outstanding as at Completion, King Success will deduct the outstanding capital contribution from the Consideration payable to Fortune Harbour.

Undertaking by Fortune Harbour and Mr. Chau to King Success:

Under the Conditional Sale and Purchase Agreement, Fortune Harbour and Mr. Chau have jointly and severally undertaken to King Success that they shall procure completion of the Development on or before the first anniversary of the date of the Conditional Sale and Purchase Agreement and shall be liable for all of the obligations and liabilities, including without limitation, contingent and absolute liabilities, borrowings and advances, capital or commitments, taxation of the Shanghai Paullee Group (including, if any, the income tax arising from the difference between the tax deductible construction cost and the consideration paid by King Success), which include those obligations and liabilities:–

- as at Completion; and
- in respect of and in connection with the Development including but not limited to all uncompleted or pending contracts (whether they are created prior to, on or subsequent to the date of the Conditional Sale and Purchase Agreement).

Accordingly, Fortune Harbour and Mr. Chau shall be jointly and severally responsible (inter alia) to (i) settle all the outstanding liabilities of the Shanghai Paullee Group; and (ii) procure the assignment to King Success absolutely of the debt due by the Shanghai Paullee Group to Fortune Harbour’s related parties.

LETTER FROM THE BOARD

3. CONSIDERATION

The Consideration payable to Fortune Harbour by King Success for a 100% interest in each of Artic Star and Hero Palace and the assignment of the shareholders' loans and related parties loans is subject to deduction as stipulated in paragraph 2 above, of up to US\$4.5 million (equivalent to approximately HK\$35.1 million). The Consideration was negotiated on an arm's length basis and on normal commercial terms and was determined by reference to the audited consolidated net asset value of Artic Star and Hero Palace as at 31st January, 2003 after taking into account of an independent property valuation of Dé Oriental London of RMB 1,000 million (equivalent to approximately HK\$945 million) as at 31st March, 2003 performed by Vigers. The Consideration shall be payable at Completion and will be satisfied in cash by internal resources.

The Directors consider that the Consideration is fair and reasonable as (i) Dé Oriental London is located at a prime location in Shanghai which is highly recognised by expatriates; (ii) the Group can commence the pre-sales of Dé Oriental London immediately after Completion; and (iii) the Proposed Transaction could improve the earnings of the Group.

4. CONDITIONS PRECEDENT OF THE PROPOSED TRANSACTION

Completion is conditional (inter alia) upon satisfaction of the following conditions:

- (i) the due diligence review on the Shanghai Paullee Group being completed to the absolute satisfaction of King Success;
- (ii) the passing by the Independent Shareholders of an ordinary resolution at the EGM approving the Conditional Sale and Purchase Agreement;
- (iii) the obtaining of all approvals and consents by the Group necessary for Completion;
- (iv) the obtaining of certificate of good standing and certificate of incumbency of each of Artic Star and Hero Palace;
- (v) the obtaining of written confirmation to release and discharge all guarantees and/or indemnities given by the Shanghai Paullee Group in respect of the obligations or liabilities of Fortune Harbour and its related parties;
- (vi) the receipt by the Company of a legal opinion issued by a firm of lawyers qualified to practice in the PRC, in such form and substance satisfactory to the Company, confirming (inter alia) Shanghai Paullee's title to Dé Oriental London; and
- (vii) the granting of a waiver by the Stock Exchange from strict compliance with the relevant disclosure requirement of Rule 14.25(1) of the Listing Rules in respect of the Ongoing Connected Transaction.

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If all of the above conditions (other than condition (ii)) are not fulfilled or waived by King Success at or before 5:00 p.m. on the Long Stop Date or such later date as may be mutually agreed in writing between the parties, King Success may (but without prejudice to any other right or remedy it may have including without limitation, any rights to claim damages or compensation from the vendor), (i) by notice in writing to Fortune Harbour to rescind the Conditional Sale and Purchase Agreement; or (ii) proceed to Completion, without prejudice to its rights thereunder, including without limitation, any right to claim damages or compensation from Fortune Harbour by reason of any breach of the warranties or non-fulfilment of any of the undertakings or covenants on the part of Fortune Harbour and/or Mr. Chau (as the case may be).

5. INFORMATION ON THE GROUP

The Group is principally engaged in property development and investment in the PRC. The Group was principally engaged in property development and investment in Hong Kong prior to November 2001. Since May 2000, the Group has decided to diversify its business to investment opportunities in the wireless communications and Internet business in Hong Kong. In this connection, the Group has gradually realised substantially all of its property investments in Hong Kong and has also invested in wireless technology related minority. In November 2001, the Company divested its property portfolio when it exercised the put options granted to it by Guoco Group Limited in March 2000.

As mentioned in the Company's circular dated 25th May, 2002, the Purchaser considered that there is tremendous growth in PRC properties and intended that the Group would re-engage itself in property development and investment, particularly those in the PRC. Accordingly, the Company has acquired several property projects in the PRC since the close of the offer on 11th July, 2002.

The Company has acquired (i) 15 office units and two levels of car parks in Jun Ling Plaza, Shanghai at a consideration of approximately HK\$33.3 million in October 2002 for rental purpose; (ii) a four star hotel, Hotel Yihe Longbai Shanghai, in Shanghai at a consideration of approximately HK\$381.0 million in January 2003; and (iii) a parcel of land located at Wu Zhong Lu in Shanghai at a consideration of approximately HK\$330.1 million in February 2003 for the development of a residential complex. In addition, the Company has exercised a put option in February 2003 in relation to the disposal of the Company's wireless technology related investments amounted to approximately US\$13.1 million (equivalent to approximately HK\$101.7 million).

6. PARTICULARS OF THE ONGOING CONNECTED TRANSACTION

Upon Completion, the transaction set out below involving payment by Shanghai Paullee to Uni-Pac on an ongoing basis and will constitute an ongoing connected transaction for the Company for the purpose of the Listing Rules.

LETTER FROM THE BOARD

Agency commission payable to Uni-Pac

Transaction nature

Shanghai Paullee has entered into the Agency Agreement with Uni-Pac on 5th September, 2002 whereby Uni-Pac would act as the agent for Shanghai Paullee in respect of the sales of Dé Oriental London.

Connected person

Uni-Pac is owned as to 70% by Fortune Day which is wholly owned by Ms. Mo, the spouse of Mr. Chau, a Director and the controlling shareholder of the Company and therefore a connected person of the Company.

Pricing basis

In accordance with the Agency Agreement, Shanghai Paullee agreed to pay Uni-Pac an agency commission at rates from 2.0% to 4.0% of the selling price of the apartments, depending on the average selling price per square meter of the apartments.

7. REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION AND THE ONGOING CONNECTED TRANSACTION

The Group is principally engaged in property development and investment in the PRC. The Directors consider that there is tremendous growth potential in the PRC properties market, and particularly in Shanghai. Following the PRC's accession into the World Trade Organisation, the scheduled opening of Shanghai Universal Studios in 2006 and the successful bid for China's World Expo in Shanghai, the Directors expect that a large number of foreign companies will set up their regional offices in the PRC which will bolster the demand for both residential and commercial properties. In addition, sustained income growth of household income in Shanghai, mortgage rate cuts and increased push for housing reform by the government will also boost the growth in the residential and commercial property market.

Playing a pivotal role in the Chinese economy, multinational companies continue to relocate regional and national headquarters of their businesses to Shanghai. This is likely to stimulate an increase in demand for high-end residential and office buildings. Government policies (10th Five-year Plan) are to maintain stable supply and demand in the property market in Shanghai. The Group will take advantage of favourable elements, such as housing mortgage policies which have raised the purchasing power of the people and an increasingly active market for second-hand housing, to develop its property business in Shanghai, through the investment in high-end and luxurious housing, redevelopment of the old-city districts and construction of high-end 'smart' office buildings.

The Directors believe that the Proposed Transaction represents a good opportunity for the Company to diversify itself in property investment and development businesses in the PRC and to strengthen its position as one of the leading property developers in Shanghai. In addition, the Directors believe that the Proposed Transaction is in line with the Group's business strategy and will bring a recurring income to strengthen the profitability and cash flow of the Group.

LETTER FROM THE BOARD

It is the intention of the Group to expand its property investment and development businesses in Shanghai which will have a great market potential with the economic development of the PRC and particularly in Shanghai.

The Ongoing Connected Transaction will be conducted in the ordinary and usual course of business of the Company on normal commercial terms. The Ongoing Connected Transaction has been and will be conducted in accordance with the terms of the Agency Agreement which were negotiated on an arm's length basis and on terms no less favourable than those available to or from independent third parties. The Directors consider it to be in the interests of the Group to engage in the Ongoing Connected Transaction as it will facilitate the sale of Dé Oriental London and the terms of the Agency Agreement are fair and reasonable so far as the Shareholders are concerned.

8. DISCLOSURE REQUIREMENT AND WAIVER SOUGHT

The Directors expect that the amount of agency commission payable to Uni-Pac pursuant to the Agency Agreement for each year will be less than the higher of HK\$10,000,000 or 3% of the net tangible asset value of the Group for each of the three years ending 30th June, 2005. As Uni-Pac is indirectly owned as to 70% by Ms. Mo, the spouse of Mr. Chau, a Director and the controlling shareholder of the Company, the Ongoing Connected Transaction constitutes a connected transaction for the Company under the Listing Rules after Completion and would normally be subject to certain disclosure requirements under Rule 14.25(1) of the Listing Rules.

Given the continuing and recurring nature of the Ongoing Connected Transaction, the Directors believe that strict compliance with the disclosure requirement under the Listing Rules would be impractical and unduly onerous. As such, the Company will make an application to the Stock Exchange for a waiver from the announcement requirement in connection with the Ongoing Connected Transaction as required under the Listing Rules on conditions that:

- (a) the Ongoing Connected Transaction will be entered into:–
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) in accordance with the agreement governing it;
 - (iii) on normal commercial terms or on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
 - (iv) in the manner as stated in (b) below;
- (b) the aggregate amount of the Ongoing Connected Transaction shall not exceed the higher of HK\$10,000,000 or 3% of the net tangible asset value of the Group for each of the three financial years ending 30th June, 2005;

LETTER FROM THE BOARD

- (c) details of the Ongoing Connected Transaction will be disclosed in the Company's annual report as described in Rule 14.25(1)(A) to (D) of the Listing Rules for that financial year together with a statement of the opinion of the independent non-executive Directors referred in the paragraph (d) below;
- (d) the independent non-executive Directors shall review the Ongoing Connected Transaction annually and confirm in the Company's next annual report and accounts that the Ongoing Connected Transaction has been entered into in the manner as stated in (a) above;
- (e) each year the auditors of the Company shall provide a letter (the "Letter") to the Board confirming that the Ongoing Connected Transaction:
 - (i) has received the approval of the Board;
 - (ii) has been entered into in accordance with the terms of the Agency Agreement; and
 - (iii) has not exceeded the cap amounts set out in paragraph (b) above.

The Letter is to be addressed to the Directors and a copy of the Letter is to be provided by the Company to the Stock Exchange. Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the Letter, the Directors shall contact the Stock Exchange as soon as practicable.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than as at the date of the proposed waiver application on transaction of the kind to which the Ongoing Connected Transaction belong, including, but not limited to, a requirement that such transaction be made conditional on approval by the independent shareholders, the Company will take immediate steps to ensure compliance with such requirements within a reasonable period.

The Company will fully comply with the disclosure and independent shareholders' approval requirements provided in Chapter 14 of the Listing Rules in respect of connected transactions if the Ongoing Connected Transaction exceeds the amount as stated in (b) above.

9. CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) consider that the Proposed Transaction and the Ongoing Connected Transaction are entered into on normal terms in the ordinary course of business of the Company and the terms thereof are fair and reasonable and are in the interest of the Company and its Shareholders.

10. THE EGM

There is set out on pages 41 to 42 of this circular a notice convening the EGM to be held at 9:30 a.m. on 3rd June, 2003 at 67th Floor, The Center, 99 Queen's Road Central, Hong Kong, at which an ordinary resolution will be proposed to approve the Proposed Transaction.

LETTER FROM THE BOARD

Mr. Chau and his associates, which, together own about 75% of the issued share capital of the Company, will abstain from voting in respect of the ordinary resolution to approve the Proposed Transaction. Given that the Proposed Transaction is subject to the fulfilment of the conditions as set out in paragraph 4 above, Shareholders and public investors should exercise extreme caution when dealing in the Shares.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjournment (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or adjourned meeting (as the case may be) should you so desire.

11. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, which is set out on pages 16 to 17 of this circular, and which contains their recommendation in respect of the terms of the Conditional Sale and Purchase Agreement.

The advice of CSC Asia to the Independent Board Committee on the fairness and reasonableness of the terms of the Conditional Sale and Purchase Agreement is set out in pages 18 to 30 of this circular.

12. ADDITIONAL INFORMATION

Your attention is drawn to the Valuation Report and the general information set out in the appendices I and II to this circular.

Yours faithfully,
By Order of the Board
Shanghai Land Holdings Limited
Chau Ching Ngai
Chairman



Shanghai Land Holdings Limited

上海地產控股有限公司

(Incorporated in Hong Kong with limited liability)

67th Floor, The Center
99 Queen's Road Central
Hong Kong

19th May, 2003

To the Independent Shareholders

Dear Sir or Madam,

**ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND
THE ENTIRE OUTSTANDING SHAREHOLDER'S LOAN TO
ARTIC STAR LIMITED AND HERO PALACE HOLDINGS LIMITED
(DISCLOSEABLE AND CONNECTED TRANSACTION)**

**AGENCY ARRANGEMENT FOR
THE SALE OF DÉ ORIENTAL LONDON
(ONGOING CONNECTED TRANSACTION)**

We refer to the circular of the Company dispatched to the Shareholders dated 19th May, 2003 (the "Circular") of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to consider the Proposed Transaction. CSC Asia has been appointed by the Board as the independent financial adviser to advise us in this respect. Details of its recommendations and principal factors taken into consideration in arriving at its recommendations are set out in the letter of advice from CSC Asia on pages 18 to 30 of the Circular.

Your attention is drawn to (i) the letter from the Board as set out on pages 5 to 15 of the Circular, (ii) the letter of advice from CSC Asia containing its advice to us together with principal factors taken into consideration as set out on pages 18 to 30 of the Circular; and (iii) the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATIONS

Having taken into account the terms of the Conditional Sale and Purchase Agreement and the advice from CSC Asia, we consider that the Proposed Transaction is fair and reasonable so far as the Independent Shareholders as a whole are concerned. Accordingly, we recommend the Independent Shareholders to vote at the EGM in favour of the resolution as set out in the notice of the EGM included in the Circular to approve the Proposed Transaction.

Yours faithfully,
For and on behalf of
Independent Board Committee
Liu Lit Man **Mok Chiu Kuen**
Independent non-executive Directors

LETTER OF ADVICE FROM CSC ASIA

The following is the text of the letter of advice to the Independent Board Committee from CSC Asia setting out its opinion regarding the Proposed Transaction for the purpose of inclusion in this circular.



CSC Asia Limited
28th Floor, COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

19th May, 2003

*To the Independent Board Committee of
Shanghai Land Holdings Limited*

Dear Sirs,

**ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
AND THE ENTIRE OUTSTANDING SHAREHOLDER'S LOAN TO
ARTIC STAR LIMITED AND
HERO PALACE HOLDINGS LIMITED,
THE BENEFICIAL OWNERS OF
DÉ ORIENTAL LONDON
(DISCLOSEABLE AND CONNECTED TRANSACTION)**

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee in respect of the terms of the Conditional Sale and Purchase Agreement entered into between King Success, Fortune Harbour and Mr. Chau on 25th April, 2003, particulars of which have been set out in a circular to the Shareholders dated 19th May, 2003 (the "Circular") and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

CSC Asia has been appointed as the independent financial adviser to the Independent Board Committee to give our recommendation as to whether the terms of the Conditional Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Details of the reasons for the execution of the Conditional Sale and Purchase Agreement are set out in the section headed "Letter from the Board" in the Circular (the "Board Letter").

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Group and have assumed that all information and representations made by the Group and the Directors were true, accurate and complete at the time they were made and continue to be so as at the date of the Circular. We have also reviewed the Valuation Report in relation to Dé Oriental London prepared by Vigers, an independent property valuer. We consider that we have been provided with

LETTER OF ADVICE FROM CSC ASIA

sufficient information on which to form a reasonable basis for our opinion. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the affairs of the Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the Conditional Sale and Purchase Agreement, we have taken into consideration the following factors:

1. Background of the Group

As stated in the Board Letter in the Circular, the Group is principally engaged in property development and investment in the PRC. The Directors consider that there is tremendous growth potential in the PRC properties market, and particularly in Shanghai. The Directors expect that a large number of foreign companies will set up their regional offices in the PRC following the PRC's accession to the World Trade Organisation, the scheduled opening of Shanghai Universal Studios in 2006 and the successful bid for China's World Expo in Shanghai. The Board Letter further stated that sustained income growth of household income in Shanghai, mortgage interest rate cuts and increased push for housing reform by the government will also boost the growth in the residential and commercial property market. It is the intention of the management of the Group to develop the Group's property business in Shanghai through the investment of high-end and luxurious housing, redevelopment of the old-city districts and construction of high-end "smart" office buildings. It is noted from the Company's 2002 annual report (the "Annual Report") that New Nongkai Global Investments Limited, a company which is beneficially wholly-owned by Mr. Chau, acquired a 57.98% controlling interest in the Company on 3rd May, 2002. Based on the Company's interim report 2002 – 2003 dated 21st March, 2003 (the "Interim Report"), the Company recorded profit attributable to Shareholders of approximately HK\$2.3 million for the six months ended 31st December, 2002 as compared to loss attributable to Shareholders of approximately HK\$39.4 million for the corresponding period in 2001.

2. Reasons for entering into the Conditional Sale and Purchase Agreement

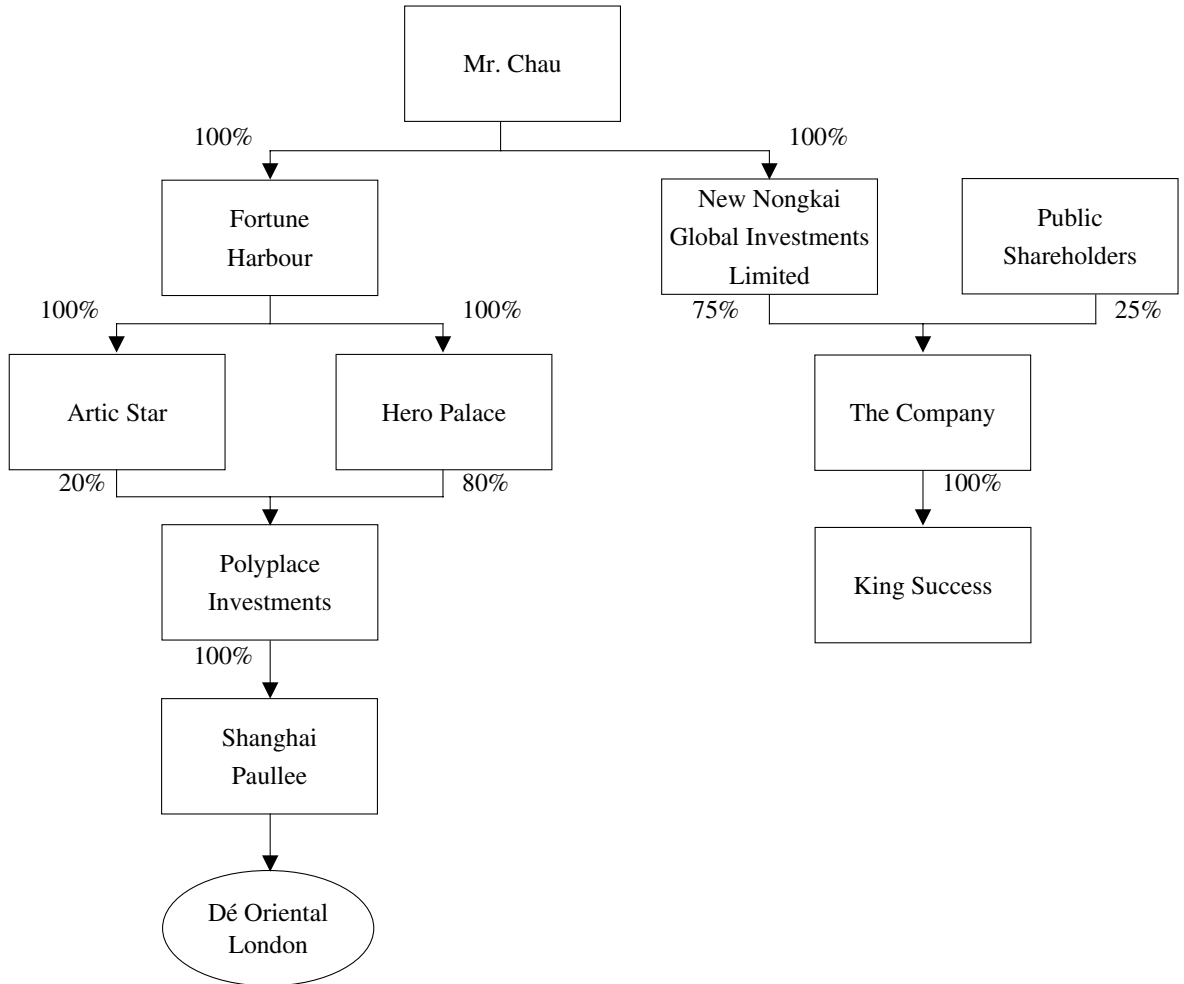
According to the Board Letter, the Directors believe that the Proposed Transaction represents a good opportunity for the Company to diversify itself in property investment and development businesses in the PRC and to strengthen its position as one of the leading property developers in Shanghai, and the management of the Group intends to develop its property business in Shanghai through, inter alia, the investment in high-end and luxurious housing. As Dé Oriental London is a luxurious residential development project, entering into the Conditional Sale and Purchase Agreement is in line with the stated objective of the Group.

LETTER OF ADVICE FROM CSC ASIA

3. Information on the Proposed Transaction

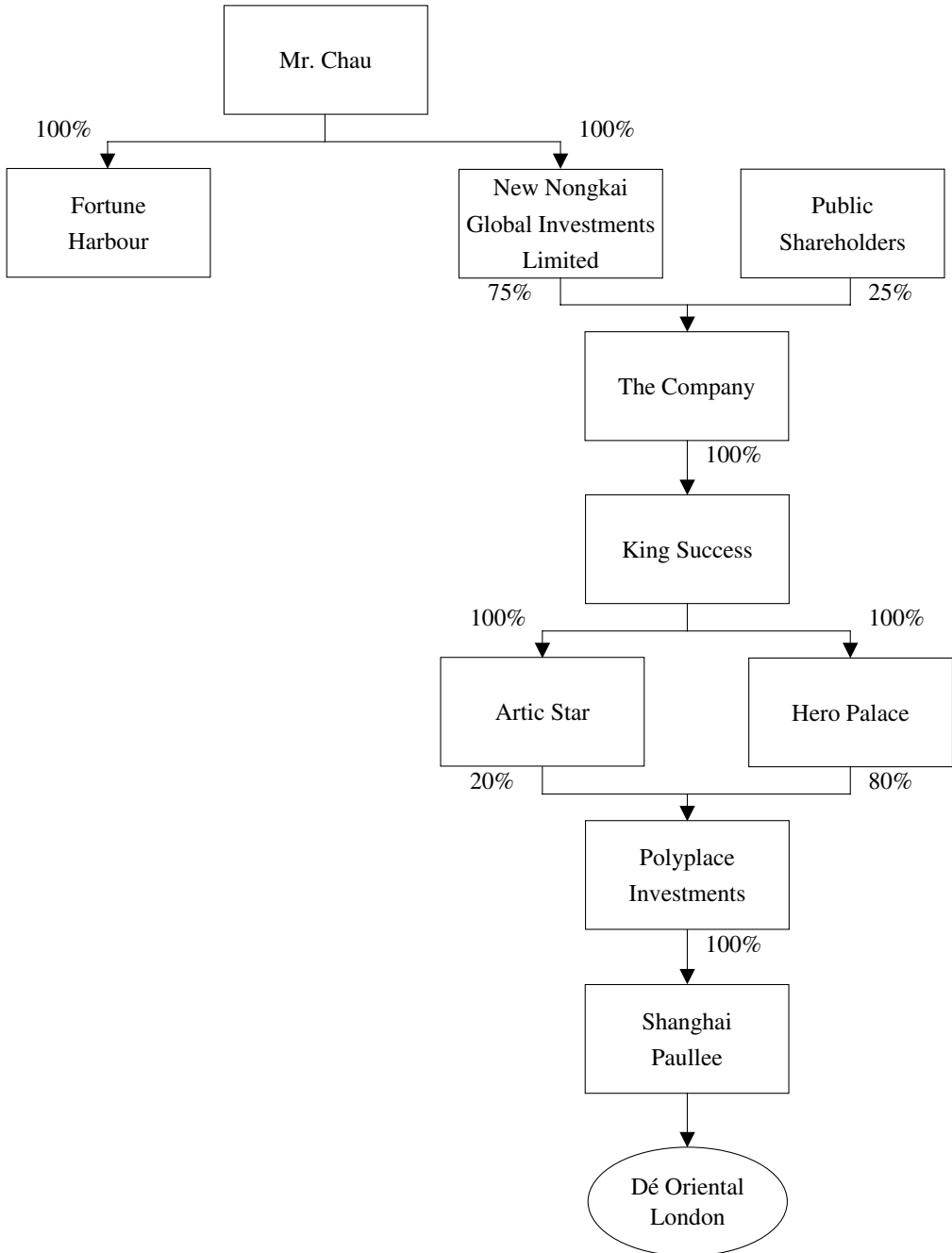
3.1 Relationship of the parties involved in the Proposed Transaction

Before the Completion



LETTER OF ADVICE FROM CSC ASIA

Upon the Completion



LETTER OF ADVICE FROM CSC ASIA

3.2 *Information on Artic Star, Hero Palace, Polyplace Investments and Shanghai Paullee*

3.2.1 Artic Star

Artic Star was incorporated on 5th July, 2001 under the laws of BVI and is wholly owned by Mr. Chau, a Director and the controlling Shareholder holding approximately 75% equity interest in the Company, through Fortune Harbour. Artic Star is an investment holding company whose sole asset is its 20% interest in Polyplace Investments, which in turn wholly owns Shanghai Paullee.

The audited consolidated loss before and after taxation of Artic Star from the date of incorporation to the period ended 31st July, 2002 was approximately HK\$0.2 million. The audited consolidated loss before and after taxation of Artic Star for the six months ended 31st January, 2003 was approximately HK\$1.2 million. The audited consolidated net liabilities of Artic Star as at 31st January, 2003, were approximately HK\$1.3 million.

3.2.2 Hero Palace

Hero Palace was incorporated on 16th August, 2001 under the laws of BVI and is wholly owned by Mr. Chau, a Director and the controlling Shareholder, through Fortune Harbour. Hero Palace is an investment holding company whose sole asset is its 80% interest in Polyplace Investments, which in turn wholly owns Shanghai Paullee.

The audited consolidated loss after taxation and minority interest of Hero Palace from the date of incorporation to the period ended 31st July, 2002 was approximately HK\$0.6 million. The audited consolidated net liabilities after minority interests of Hero Palace as at 31st July, 2002 were approximately HK\$0.5 million. The audited consolidated loss after taxation and minority interest of Hero Palace for the six months ended 31st January, 2003 was approximately HK\$4.6 million. The audited consolidated net liabilities after minority interests of Hero Palace as at 31st January, 2003 were approximately HK\$5.1 million.

3.2.3 Polyplace Investments

Polyplace Investments is an intermediate holding company whose sole asset is its 100% interest in Shanghai Paullee which in turn wholly owns Dé Oriental London. Polyplace Investments was incorporated on 12th March, 1992 under the laws of Hong Kong.

The unaudited consolidated loss before and after taxation of Polyplace Investments for the six months ended 31st January, 2003 was approximately HK\$5.8 million. The unaudited consolidated net asset value of Polyplace Investments as at 31st January, 2003 were approximately HK\$16.7 million.

LETTER OF ADVICE FROM CSC ASIA

3.2.4 Shanghai Paullee

Shanghai Paullee is principally engaged in property development, investment and management in the PRC and is the developer of Dé Oriental London, a luxurious residential project situated at Gubei Road, Chiangning District, Shanghai. The unaudited loss before and after taxation of Shanghai Paullee for the period from 1st January, 2002 to 31st July, 2002 and from 1st August, 2002 to 31st January, 2003 were approximately HK\$0.8 million and HK\$5.8 million respectively. The unaudited net asset value of Shanghai Paullee as at 31st January, 2003 was approximately HK\$16.5 million.

4. Basis of the Consideration

As stated in the Board Letter, the Consideration of RMB700 million (approximately HK\$661.5 million payable by King Success to Fortune Harbour for a 100% interest in each of Artic Star and Hero Palace and the assignment of the shareholders' loans was negotiated on an arm's length basis and on normal commercial terms and was determined by reference to the audited consolidated net asset value of Artic Star and Hero Palace as at 31st January, 2003 after taking into account of the valuation of Dé Oriental London performed by Vigers, an independent property valuer, as stated in the Valuation Report set out in Appendix I to the Circular. To opine on whether the basis of determining the Consideration is fair and reasonable, we have considered two approaches, namely (i) valuation of Dé Oriental London as stated in the Valuation Report and (ii) adjusted consolidated net assets values of Artic Star and Hero Palace attributable to the Group.

We are of the view that comparing directly the acquisition cost paid by Mr. Chau when he acquired the uncompleted Dé Oriental London in June 2001 ("Mr. Chau's Acquisition Cost") and the Consideration is not appropriate. Our main reason of forming such a view is that Dé Oriental London has gone through construction and development financed by Mr. Chau since Mr. Chau acquired it in June 2001. To arrive at a fair comparison between Mr. Chau's Acquisition Cost with the Consideration, a number of factors, such as subsequent development costs incurred, interest rate and inflation rate from the date of the acquisition to 25th April, 2003 (the date of the Conditional Sales and Purchase Agreement), the premium for the completion risk undertaken by Mr. Chau, etc. should be taken into consideration, and such factors will be too complicated and arbitrary in the context of our analysis. We therefore consider that the aforesaid approaches, namely (i) valuation of Dé Oriental London as stated in the Valuation Report and (ii) adjusted consolidated net assets values of Artic Star and Hero Palace attributable to the Group, to be more relevant to our analysis.

4.1 *Valuation of Dé Oriental London as stated in the Valuation Report*

4.1.1 Capital value of Dé Oriental London on the basis assuming that the property has been developed as at 31st March, 2003

As stated in the Valuation Report dated 19th May, 2003 set out in Appendix I to the Circular, the capital value of Dé Oriental London as at 31st March, 2003, ***on the assumption that the property has been completed as at 31st March, 2003***, was RMB1,000 million (approximately HK\$945 million) (the "Completed Valuation").

LETTER OF ADVICE FROM CSC ASIA

Such valuation was arrived at by making reference to, inter alia, comparable sales evidences as available in the relevant market of three different properties located in Shanghai, the PRC. According to Vigers, the three properties used for comparison have average unit rates on gross floor area basis of RMB20,000/sq.m., RMB17,000/sq.m. and RMB15,000/sq.m. to RMB17,000/sq.m. respectively. The unit rate on gross floor area basis used by Vigers to determine the Completed Valuation is in the region of RMB20,000/sq.m. to RMB21,000/sq.m.. We have learnt from Vigers during our discussions that Dé Oriental London will be finished with high quality of interior decoration and will have a luxurious clubhouse. We have also learnt from Vigers that Dé Oriental London is situated in a prime location in Shanghai. To reflect the high quality of the development and the prime location, Vigers has adopted the upper end of the comparative unit rates for a property (the "Market Comparable") which has similar interior decoration, clubhouse facilities and location to that of Dé Oriental London during the valuation of Dé Oriental London. On the basis of the representation made by Vigers that the interior decorations, clubhouse facilities and locations of Dé Oriental London and the Market Comparable are similar, we believe the selection of the Market Comparable is reasonable.

It is noted that as at 31st March, 2003, the date of valuation, Dé Oriental London was still under development and not yet fully completed. Construction cost will be incurred to ensure Dé Oriental London will achieve the state of completion as referred to in the Valuation Report, and accordingly, the associated completion risk is also involved. However, as provided for under the Undertaking as mentioned under section 4.2.2 of this letter, Fortune Harbour and Mr. Chau shall procure completion of the Development on or before the first anniversary of the date of the Conditional Sale and Purchase Agreement and shall be liable for all of the obligations and liabilities of the Shanghai Paullee Group in respect of and in connection with the Development as at the Completion.

In comparing the Consideration with the Completed Valuation, the Independent Shareholders should take note of (i) the lead time to the completion of Dé Oriental London and (ii) the fact that the Valuation Report is referring to the capital value of Dé Oriental London on the assumption that it has been completed as at 31st March, 2003. Accordingly, we advise the Independent Shareholders to exercise due caution when comparing the Consideration with the Completed Valuation.

Due to the sale of the shareholder's loans under the Conditional Sale and Purchase Agreement, the Undertaking, the Assignment and the reassignment of an amount due from a related company as per an agreement dated 28th February, 2003 as mentioned in section 4.2.2 of this letter, most of the balance sheet items of Artic Star and Hero Palace would be eliminated as at the completion of the Development. Items that would remain on the balance sheet of Hero Palace after the completion of the Development would include assets such as certain fixed assets, the completed Dé Oriental London and cash and bank balances and a single liability in sales deposit. According to the audited accounts of Hero Palace dated 26th March, 2003, it had fixed assets of HK\$4,060,277, cash and bank balances of HK\$4,756,441 and sales

LETTER OF ADVICE FROM CSC ASIA

deposit of HK\$2,528,300 as at 31st January, 2003. Based on the Completed Valuation of RMB1,000 million (approximately HK\$945 million) as stated in the Valuation Report, the completed Dé Oriental London should be worth the same amount when its construction is completed.

We set out below the estimated combined net assets value of Artic Star and Hero Palace as at the completion of the Development based on the Completed Valuation of RMB1,000 million (approximately HK\$945 million) as stated in the Valuation Report and on the assumption that the balance sheet items of Artic Star and Hero Palace stated above remain unchanged from 31st January, 2003 to the completion of the Development:

	<i>HK\$</i>
Assets:	
Fixed assets	4,060,277
Capital value of the completed De Oriental London (Completed Valuation)	945,000,000
Cash and bank balances	4,756,441
Liability:	
Sales deposit	<u>(2,528,300)</u>
Estimated combined net assets value of Artic Star and Hero Palace as at the completion of the Development	<u><u>951,288,418</u></u>
The Consideration	661,500,000
Discount of the Consideration over the estimated combined net assets value of Artic Star and Hero Palace as at the completion of the Development	30.5%

The Consideration of RMB700 million (approximately HK\$661.5 million) represents a discount of approximately 30.5% of the estimated combined net assets value of Artic Star and Hero Palace as at the completion of the Development of HK\$951,288,418 set out above.

4.1.2 Capital value of Dé Oriental London in its existing state as at 31st March, 2003

According to note 6 to the Valuation Report, the capital value of Dé Oriental London in its existing state as at 31st March, 2003 was RMB710 million (approximately HK\$670.95 million) (the “Existing Valuation”). Vigers has indicated in our discussions that the Existing Valuation is based on the Completed Valuation of RMB1,000 million (approximately HK\$945 million) as stated in the Valuation Report,

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with adjustments being made for outstanding development costs to complete Dé Oriental London as stated under note 5 to the Valuation Report, the estimated return for risk to be generated from the Completed Valuation and the difference in time value (from 31st March, 2003 up to the expected date of completion of Dé Oriental London). The Consideration of RMB700 million (approximately HK\$661.5 million) represents a discount of approximately 1.4% over the Existing Valuation of RMB710 million (approximately HK\$670.95 million).

We would like to remind the Independent Shareholders that the Existing Valuation of RMB710 million (approximately HK\$670.95 million) mentioned above is for Dé Oriental London in its existing state as at 31st March, 2003. Bearing in mind that provisions have been made for the Undertaking as mentioned in section 4.2.2 of this letter, the Independent Shareholders should note that Existing Valuation as stated in the Valuation Report does not reflect the full value of Dé Oriental London when its construction is completed.

4.2 *Adjusted consolidated net assets values of Artic Star and Hero Palace attributable to the Group*

4.2.1 Artic Star

As shown in the audited accounts of Artic Star dated 26th March, 2003, Artic Star had total assets of HK\$28,280,887 (comprising an interest in Shanghai Paullee) and total liabilities of HK\$29,567,556 (comprising a shareholder's loan) as at 31st January, 2003, resulting in net liabilities of HK\$1,286,669. As the entire shareholder's loan of Artic Star of HK\$29,567,556 is to be purchased by King Success under the terms of the Conditional Sales and Purchase Agreement, the shareholder's loan would be eliminated during the Group's consolidation of its accounts after Artic Star becomes a wholly-owned subsidiary of the Company. Accordingly, the shareholder's loan should not be taken into account for the purpose of determining the net assets value of Artic Star attributable to the Group following the Completion (the "Adjusted Net Assets Value of Artic Star"). Based on the above, the Adjusted Net Assets Value of Artic Star, assuming there has not been any changes to the financial position of Artic Star after 31st January, 2003 up to the Completion, is HK\$28,280,887.

4.2.2 Hero Palace

As shown in the audited accounts of Hero Palace dated 26th March, 2003, Hero Palace had total assets of HK\$748,058,656, total liabilities of HK\$749,877,525 and minority interests of HK\$3,314,963 as at 31st January, 2003, resulting in net liabilities of HK\$5,133,832. Hero Palace's liabilities as at 31st January, 2003 comprised of amounts due to related parties of HK\$381,240,908, accounts and other payables of HK\$178,424,443, sales deposit of HK\$2,528,300, staff bonus and welfare fund of HK\$97,106, deferred tax liability of HK\$57,889,198, shareholder's loan of HK\$118,257,374 and loan from a minority shareholder of HK\$11,440,196.

LETTER OF ADVICE FROM CSC ASIA

As the entire shareholder's loan of Hero Palace is to be purchased by King Success under the terms of the Conditional Sales and Purchase Agreement, the shareholder's loan would be eliminated during the Group's consolidation of its accounts after Hero Palace becomes a wholly-owned subsidiary of the Company. Accordingly, for the purpose of determining the net assets value of Hero Palace attributable to the Group following the Completion (the "Adjusted Net Assets Value of Hero Palace"), the shareholder's loan of HK\$118,257,374 should not be taken into account.

As stated in the Board Letter, Fortune Harbour and Mr. Chau have jointly and severally undertaken to King Success under the Conditional Sales and Purchase Agreement (the "Undertaking") that they shall procure completion of the Development on or before the first anniversary of the date of the Conditional Sale and Purchase Agreement and shall be liable for all of the obligations and liabilities, including without limitation, contingent and absolute liabilities, borrowings and advances, capital or commitments, taxation of the Shanghai Puallee Group (including, if any, the income tax arising from the difference between the tax deductible construction cost and the Consideration), which include those obligations and liabilities:

- (i) as at Completion; and
- (ii) in respect of and in connection with the Development including but not limited to all uncompleted or pending contracts (whether they are created prior to, or subsequent to the date to the Conditional Sale and Purchase Agreement).

Based on the Undertaking, certain liabilities of Hero Palace, namely accounts and other payables, staff bonus and welfare fund and deferred tax liability (together the "Forfeit Liabilities") will be borne by Fortune Harbour and Mr. Chau. Furthermore, Hero Palace had commitment of HK\$60,943,179 in construction contract commitments authorised and contracted for as at 31st January, 2003 (the "Construction Commitment"). In addition, as at 31st January, 2003, further development costs of HK\$129,401,000 (the "Expected Further Development Costs") on top of the Construction Commitment were expected to be incurred to complete the Development. The Construction Commitment and the Expected Further Development Costs will also be borne by Fortune Harbour and Mr. Chau under the Undertaking. Accordingly, for the purpose of determining the Adjusted Net Assets Value of Hero Palace, the Forfeit Liabilities with an aggregate value of HK\$236,410,747, the Construction Commitment of HK\$60,943,179 and the Expected Further Development Costs of HK\$129,401,000 should be added back.

The Conditional Sale and Purchase Agreement also provides that, inter alia, Fortune Harbour shall procure the assignment to King Success all the right, title and interest of Fortune Harbour's related parties in the debt owed by the Shanghai Puallee Group to Fortune Harbour's related parties as at the Completion (the "Assignment"). In effect, the relevant debt will be owed by the Shanghai Puallee Group to King Success instead of Fortune Harbour's related parties after the Assignment. Following

LETTER OF ADVICE FROM CSC ASIA

the Completion when Hero Palace becomes a wholly-owned subsidiary of the Company, the amounts originally due to Fortune Harbour's related parties will be eliminated during the Group's consolidation of its accounts. Based on this provision of the Conditional Sale and Purchase Agreement, the amounts due to related parties of HK\$381,240,908 should be added back for the purpose of determining the Adjusted Net Assets Value of Hero Palace.

As stated in the audited accounts of Hero Palace dated 26th March, 2003, an amount due from a related company of HK\$58,590,000 was assigned to another related party according to an agreement dated 28th February, 2003. Accordingly, this amount should be subtracted from the assets of Hero Palace for the purpose of determining the Adjusted Net Assets Value of Hero Palace.

Having taken the aforesaid factors into consideration, the Adjusted Net Assets Value of Hero Palace, assuming there has not been any changes to the financial position of Hero Palace after 31st January, 2003 up to the Completion, should be HK\$862,529,376.

4.2.3 Combined adjusted net assets value of Artic Star and Hero Palace attributable to the Group as at Completion (the "Combined Adjusted Net Asset Value")

	<i>HK\$</i>
Net liabilities of Artic Star as at 31st January, 2003	(1,286,669)
Add back: Shareholder's loan	<u>29,567,556</u>
Adjusted Net Assets Value of Artic Star	<u><u>28,280,887</u></u>
Net liabilities of Hero Palace as at 31st January, 2003	(5,133,832)
Add back: Shareholder's loan	118,257,374
Forfeit Liabilities	236,410,747
Construction Commitment	60,943,179
Expected Further Development Costs	129,401,000
Amounts due to related parties	381,240,908
Deduct: Adjustment for reassignment of amount due from a related company	<u>(58,590,000)</u>
Adjusted Net Assets Value of Hero Palace	<u><u>862,529,376</u></u>
Combined Adjusted Net Assets Value	<u><u>890,810,263</u></u>
The Consideration	661,500,000
Discount of the Consideration over Combined Adjusted Net Assets Value	25.7%

LETTER OF ADVICE FROM CSC ASIA

After making the adjustments set out above, the Combined Adjusted Net Asset Value, assuming there has not been any changes to the financial position of Artic Star and Hero Palace after 31st January, 2003 up to the Completion, should be HK\$890,810,263. The Consideration of RMB700 million (approximately HK\$661.5 million) represents a discount of approximately 25.7% over the Combined Adjusted Net Assets Value. However, it is noted that other than the provision for an adjustment to the Consideration in relation to capital contribution to Shanghai Paullee in the amount of US\$4.5 million (approximately HK\$35.1 million) as stated in the Board Letter, the Conditional Sale and Purchase Agreement does not provide for other adjustments to the Consideration as a result of changes in the financial position of Artic Star and Hero Palace. Accordingly, the Combined Adjusted Net Assets Value as stated above will be subject to any changes not covered by the Undertaking and the Assignment.

5. Financial effects of the Proposed Transaction

5.1 *Net assets*

According to the Group's accounting policies, trading stock is stated at the lower of cost and market value. As such, the Proposed Transaction will reduce the Company's cash holdings by RMB700 million (approximately HK\$661.5 million) and at the same time increase property under development by the same amount. Accordingly the Proposed Transaction will not have any effect on the consolidated net assets value of the Group.

5.2 *Current ratio*

As stated in the Interim Report, the Group had consolidated current assets and current liabilities of approximately HK\$2,218,675,000 and HK\$5,560,000 respectively as at 31st December, 2002.

After making adjustments as a result of (i) the acquisition of Hip Yick Profits Limited as per the Company's announcement dated 16th January, 2003 with a negative contribution of approximately HK\$381,000,000, (ii) the acquisition of a parcel of land located at Wu Zhong Lu in Shanghai in February 2003 as stated in the Board Letter with a negative contribution of approximately HK\$330,100,000 and (iii) the exercising of the put option as per the Company's announcement dated 18th February, 2003 with a positive contribution of approximately HK\$101,693,000, the pro forma adjusted consolidated current assets of the Group before the Completion is approximately HK\$1,609,268,000. Accordingly, the current ratio (current assets/current liabilities) of the Group before the Completion was approximately 289.4 times.

According to their respective audited accounts, Artic Star and Hero Palace had net current assets of HK\$0 and HK\$123,818,424 respectively as at 31st January, 2003. Under the provisions of the Undertaking and the Assignment, amounts due to related parties of HK\$381,240,908, accounts and other payables of HK\$178,424,443, staff bonus and welfare

LETTER OF ADVICE FROM CSC ASIA

fund of HK\$97,106 and deferred tax liability of HK\$57,889,198, all current liabilities, should be added back to the net current assets of Hero Palace. Furthermore, amount due from a related party of HK\$58,590,000 should be deducted from the net current assets as explained under section 4.2.2 of this letter. After making these adjustments, the adjusted net current assets of Hero Palace should be HK\$682,880,079. Accordingly, the Group would have a pro forma adjusted consolidated current assets after the Completion of HK\$1,630,648,079. This figure was arrived at by adding the adjusted net current assets of Hero Palace as mentioned above to and deducting the Consideration from the pro forma adjusted consolidated current assets of the Group before the Completion.

With a pro forma adjusted consolidated current assets after the Completion of HK\$1,630,648,079, the Group would have a current ratio of approximately 293.3 times, representing an improvement of approximately 1.3% over that before the Completion.

CONCLUSION

Having considered the above principal factors, we are of the opinion that the entering into of the Conditional Sale and Purchase Agreement is in the interest of the Group and the Shareholders so far as the Independent Shareholders as a whole are concerned and the terms of the Conditional Sale and Purchase Agreement are fair and reasonable. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to approve the Conditional Sale and Purchase Agreement at the EGM.

Yours faithfully,
For and on behalf of
CSC Asia Limited
Howard Tang
Director



Vigers Hong Kong Ltd.
International Property Consultants
Suite 1607-12 Miramar Tower,
No.132 Nathan Road,
Tsimshatsui, Kowloon,
Hong Kong

19th May, 2003

The Directors
Shanghai Land Holdings Limited
67th Floor, The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

**Dé Oriental London
Lot 16-1, Phase 2, Zone 3,
Gubei New District
Shanghai
The People's Republic of China**

In accordance with the instructions from Shanghai Land Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") to value the above property on the basis assuming that the property has been completed in the People's Republic of China ("the PRC"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market value of such property interest on the basis assumed it was completed as at 31st March, 2003.

Our valuation is our opinion of the open market value which we would define as intended to mean – "the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:–

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion."

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest.

We have valued the property (except portion of the property has been sold or pre-sold) with the benefit of vacant possession by making reference to comparable sales evidences as available in the relevant market.

Portion of the property has been sold or pre-sold at the respective considerations stated in the valuation certificate and such considerations have been reflected in our valuation.

We have valued the property on the basis assuming that the property has been completed as at the report's date, reference has been made to sale evidence as available on the market assuming that vacant possession of the property would be readily available upon completion of a sale.

We have been provided with extracts from the title documents relating to such property interest. We have not, however, searched the original documents to verify ownership or to verify existence of any lease amendment which do not appear on the copies handed to us. All documents and leases have been used for reference only. All dimensions measurements and areas are approximations.

In undertaking our valuation of the property, we have relied on the legal opinion provided by the Group's PRC legal adviser ("the PRC Legal Opinion") regarding the title to the Group's proposed interest in the property.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property interest is free from defect.

We are relied to a considerable extent on information provided by you and have accepted advise given to us by you on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of those property interest in which the Group has a valid interest.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances restrictions and outgoings of an onerous nature which could affect its value.

Unless otherwise stated, all money amounts stated are in renminbi. The exchange rate used in valuing the property interests in the PRC as at 31st March, 2003 was RMB1.00 to HK\$0.945. There has been no significant fluctuation in exchange rate between that date and the date of this letter.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
VIGERS HONG KONG LTD.
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS, AHKIS
Director
Head of Valuation Department

Note: Raymond K.K. Ho, Chartered Surveyor, MRICS, AHKIS has extensive experience in undertaking valuations of properties in Hong Kong and Macau and has over nine years' experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Capital value on the basis assuming that the property has been completed as at 31st March, 2003
Dé Oriental London Lot 16-1, Phase 2, Zone 3, Gubei New District Shanghai The People's Republic of China	The property comprises a proposed residential development. Upon completion, the development will comprise two inter-connected 25-storey residential buildings (known as Blocks 1 and 2), a 4-storey serviced apartment building, clubhouse and carpark on ground level and basement level. The development is estimated to be completed on the end of 1st quarter of 2004.	The entire development is under construction. We are instructed by the Company to value the property on the basis assuming the property had been completed at as the date of valuation and with the benefit of vacant possession basis.	RMB1,000,000,000 (equivalent to HK\$945,000,000)

The property will have a total gross floor area of approximately 49,920.39 sq.m. (excluding car parks) and the details are listed follows:

Block	Gross Floor Area <i>(sq.m.)</i>
Block 1	22,604.94
Block 2	22,604.94
Service apartment building	1,206.64
Clubhouse	3,503.87
Sub-Total:	49,920.39
Plus: Carpark	3,719
Total:	53,639.39

The land use right term of the property commence from 7th February, 1995 to 6th February, 2065.

Notes:

1. As confirmed by the company, we understand that as at 31st March, 2003, 3 residential units **Flat 1 on 11/F, Flat 1 on 25/F and Flat 2 on 27/F of Block A (also known as Block 1)** with a total gross floor area of approximately 768.42 sq.m. were subject to separate agreements for sale and purchase at a total consideration of approximately RMB15,020,000. Such sale proceeds have been reflected in our valuation.
2. Pursuant to the State-owned Land Use Rights Great Contract (document no.: 滬土(1994)出讓合同第179號) and its Supplemental Contract (document no.: 滬房地資(2003)出讓合同補字第27號) dated 31st December, 1994 and 21st April, 2003 respectively, Shanghai Puallee Real Estate Development Co., Ltd. agreed to purchase the land use rights of a site having an area of 15,720 sq.m. for the consideration of US\$5,600,000. The total gross floor area of the development permitted as stated in the aforesaid contracts is 53,640 sq.m. (inclusive of a basement of 5,012 sq.m.).
3. Pursuant to State-owned Land Use Rights Certificate (document no.: 滬國用(批)字第001037號) issued by Shanghai Municipal Government on February, 1995, the land use rights term of a site having an area of 15,720 sq.m. commenced from 7th February, 1995 to 6th February, 2065 is vested in Shanghai Puallee Real Estate Development Co., Ltd.
4. Pursuant to the Pre-sale Permit Certificate (document no.: 滬房地(96)外預字024號) granted by Building and Land Administrative Bureau of Shanghai City to Shanghai Puallee Real Estate Development Co., Ltd on 11th April, 1996, the high-rise apartment of the property with gross floor area of 40,126 sq.m. (and gross floor area of carpark on basement of 3,160 sq.m.) is permitted to pre-sell.
5. As advised by the Company, the outstanding development costs to complete the development as 31st March, 2003 was approximately RMB190,700,000.
6. The capital value of the development in its existing state as at 31st March, 2003 was RMB710,000,000.
7. The PRC legal opinion states that:
 - (1) Shanghai Puallee Real Estate Development Co., Ltd has obtained the State-owned Land Use Rights Certificate (document No. 滬國用(批)字第001037號) dated 7th February, 1995.
 - (2) Shanghai Puallee Real Estate Development Co., Ltd has obtained the relevant approval documents in relation to development, construction and sale of the subject development. These documents include:
 - (i) Construction and Planning Permit (document No. 滬建(95)0847號)
 - (ii) Construction Permit (document No. 滬建施工証94100020-801號)
 - (iii) Pre-sale Permit Certificate (document No. 滬房地(96)外預字024號)
 - (3) Pursuant to a document (No. 滬規查(2002) 357號) issued by Shanghai City Planning Administration Bureau ("the Bureau") dated 23rd May, 2002, the Bureau agreed to permit the gross floor area of the subject development increased to 48,654.7 sq.m.
 - (4) Pursuant to the Construction Engineering Planning Certificate (document No. 滬規建(2002) 0165號) issued by the Bureau dated 17th May, 2002, the gross floor area of the ancillary facilities of the development is 4,985 sq.m..
 - (5) Shanghai Puallee Real Estate Development Co., Ltd has the right to develop the subject site in accordance with the State-owned Land Use Rights Contract and its Supplemental Contract and to pre-sell the subject property without any extra land premium.
 - (6) There is no material obstacle in obtaining the real property ownership certificate of the development upon completion.
8. In valuing the property, we have made the following assumption:
 - (i) all consents, approvals and licences from relevant government authorities for development of the property will be granted without any onerous conditions or undue delay; and
 - (ii) the property can be freely transferred in the open market without any extra premium.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

The information contained in this circular is supplied by the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, their opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

Set out below are details of the authorised and issued share capital of the Company as at the Latest Practicable Date.

<i>Authorised share capital</i>	<i>HK\$</i>
<u>40,000,000,000</u> ordinary shares of HK\$0.50 each	<u>20,000,000,000.00</u>
 <i>Issued and fully paid shares</i>	
<u>3,051,438,765</u> ordinary shares of HK\$0.50 each	<u>1,525,719,382.50</u>

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) notifiable to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section

352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Directors' interests in the Company

Directors	Number of ordinary Shares	
	Personal interests	Corporate interests
Chau Ching Ngai (<i>Note</i>)	–	2,288,521,317
Tan Lim Heng	14,840,000	–

Note: These Shares are owned by New Nongkai Global Investments Limited, the entire issued share capital of which is beneficially owned by Mr. Chau Ching Ngai.

Save as disclosed above, as at the Latest Practicable Date:

- (i) none of the Directors or any chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) notifiable to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange;
- (ii) none of the Directors, CSC Asia or Vigers had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 30th June, 2002, being the date of the Company's latest published audited accounts, or proposed to be so acquired, disposed of or leased;
- (iii) there is no contract or arrangement subsisting at the date of this circular in which any of the Directors is materially interested and which is significant in relation to the business of the Group; and
- (iv) CSC Asia or Vigers does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following person (not being a Director or chief executive of the Company) was, directly or indirectly, interested in 5% or more of the issued share capital of the Company and 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Number of ordinary Shares	Percentage of the total issued share capital of the Company
New Nongkai Global Investments Limited (<i>Note</i>)	2,288,521,317	75%

Note: The entire issued share capital of New Nongkai Global Investments Limited is beneficially owned by Mr. Chau Ching Ngai.

Save as disclosed above, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group as at the Latest Practicable Date.

5. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Company's circulars dated 4th February, 2003 and 10th March, 2003 and the annual report for the year ended 30th June, 2002, the Directors are not aware of any material adverse change in the financial or trading position or contingent liabilities of the Group since 30th June, 2002, being the date to which the latest published audited accounts of the Company were made up.

6. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

7. QUALIFICATIONS OF EXPERTS

The following are the qualification of the professional advisers whose opinion or advice are contained in this circular:

Name	Qualification
CSC Asia	licensed corporation registered for types 4, 6 and 9 of regulated activities under the SFO
Vigers	International property valuers

8. CONSENTS

CSC Asia and Vigers have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their letters and/or reports and/or reference to their names, as the case may be, in the form and context in which they appear.

9. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract within the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office address of the Company at 67th Floor, The Center, 99 Queen's Road Central, Hong Kong up to and including 3rd June, 2003:—

- (a) memorandum and articles of association of the Company;
- (b) the Conditional Sale and Purchase Agreement;
- (c) the Agency Agreement;
- (d) the letter from CSC Asia the text of which is set out on pages 18 to 30 of this circular; and
- (e) the written consents of CSC Asia and Vigers referred to paragraph 8 of this Appendix.

11. MISCELLANEOUS

- (a) The secretary of the Company is Ms. Tse Wai Kuen, who is an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Company Secretaries.
- (b) The registered office and head office of the Company and its principal place of business in Hong Kong is at 67th Floor, The Center, 99 Queen's Road Central, Hong Kong.
- (c) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Shanghai Land Holdings Limited

上海地產控股有限公司

(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Shanghai Land Holdings Limited (the “Company”) will be held at 67th Floor, The Center, 99 Queen’s Road Central, Hong Kong at 9:30 a.m. on 3rd June, 2003 for purpose of considering, and if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** a conditional sale and purchase agreement (including the schedules attached thereto) dated 25th April, 2003 (the “**Conditional Sale and Purchase Agreement**”) (a copy of which marked “A” has been produced to the Meeting and signed by the chairman of the Meeting for identification purpose) made between King Success Holdings Limited (“**King Success**”), a wholly owned subsidiary of the Company, Fortune Harbour Limited (“**Fortune Harbour**”) and Mr. Chau Ching Ngai, whereby Fortune Harbour agreed to sell and King Success agreed to purchase (i) the entire issued share capital of Hero Palace Holdings Limited (“**Hero Palace**”) and Artic Star Limited (“**Artic Star**”); and (ii) the entire shareholders’ loans and related parties loans due and owing by Hero Palace and Artic Star as at the date of completion of the Conditional Sale and Purchase Agreement, for a consideration of RMB700 million (subject to downward adjustment) together with all other transactions contemplated thereunder be and are hereby approved and **THAT** the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect, deliver, and to do all such documents, deeds, acts, matters and things as they may in their discretion consider necessary or desirable for the purpose of or in connection with implementation of the Conditional Sale and Purchase Agreement as well as all transactions contemplated thereunder.”

By order of the board of directors of
Shanghai Land Holdings Limited
Chau Ching Ngai
Chairman

Hong Kong, 19th May, 2003

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Office:

67th Floor, The Center
99 Queen's Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provision of the articles of association of the Company, vote in his stead. A proxy needs not be a member of the Company.
2. A form of proxy for use at the extraordinary general meeting is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. Completion and return of the form of proxy will not preclude members of the Company from attending and voting in person at the meeting should be so wish.