

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is for information purposes only and does not constitute an invitation or offer to acquire or subscribe for securities.

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

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

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PREMIUM LAND LIMITED
(上海策略置地有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 164)

**PROPOSED ISSUE OF CONVERTIBLE NOTE
AND
REFRESHMENT OF GENERAL MANDATE
TO ISSUE AND ALLOT SHARES**

Independent financial adviser to the Independent Board Committee



KGI Capital Asia Limited

A letter from the Independent Board Committee is set out on page 18 of this circular and a letter from KGI Capital Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 25 of this circular.

A notice convening a special general meeting of Premium Land Limited to be held at Gemini & Libra Rooms, 33rd Floor, Rosedale On The Park, 8 Shelter Street, Causeway Bay, Hong Kong on Monday, 7 February 2005 at 9:00 a.m., is set out on pages 26 to 29 of this circular.

A form of proxy for use at the special general meeting is enclosed. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's Hong Kong branch share registrar, Secretaries Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent you from subsequently attending and voting at the special general meeting or any adjourned meetings if you so wish.

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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 Directors collectively and individually 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 there are no other facts the omission of which would make any statement herein misleading.

DEFINITIONS

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

“associate”	has the same meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Premium Land Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Convertible Note”	the convertible loan note in an aggregate principal amount of HK\$32,400,000 to be issued by the Company to the Subscriber subject to the terms and conditions set out in the Subscription Agreement
“Conversion Price”	the price at which each Conversion Share will be issued upon a conversion of all or part of the Convertible Note
“Conversion Shares”	Shares to be issued upon conversion of the Convertible Note
“Directors”	the directors of the Company
“Existing General Mandate”	the general mandate approved at the annual general meeting of the Company held on 3 September 2004 to authorise the Directors to exercise the powers of the Company to issue and allot Shares of up to 20% of the issued share capital of the Company as at the date of passing the respective ordinary resolution, i.e., 902,289,194 Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors, namely, Mr. Kan Kwok Shu, Mr. Shum Ka Hei, Mr. Pang Haiou and Mr. Zuo Guang, duly appointed by the Board to advise the Independent Shareholders in respect of the New General Mandate

DEFINITIONS

“Independent Shareholders”	Shareholders other than Mr. Dong Bo, Frederic and his associates, namely United Jumbo Limited
“Latest Practicable Date”	17 January 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information for inclusion of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New General Mandate”	the general mandate proposed to be granted to the Directors at the SGM to exercise the powers of the Company to issue and allot Shares of up to 20% of the issued share capital of the Company as at the date of passing the ordinary resolution to be proposed at the SGM
“Noteholder”	the person who is for the time being the holder of the Convertible Note
“SGM”	the special general meeting of the Company to be convened and held to consider and approve, among other matters, the issue of the Convertible Note and the issue and allotment of the Conversion Shares and the grant of New General Mandate
“Share(s)”	share(s) of a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Peakhill Investments Limited, a limited liability company incorporated in the British Virgin Islands which is wholly and beneficially owned by Mr. Lam Kwan Sing and an investment holding company. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, both Mr. Lam and the Subscriber are third parties independent of the Company or connected persons (within the meaning ascribed thereto in the Listing Rules) of the Company
“Subscription Agreement”	the conditional subscription agreement dated 7 December 2004 entered into between the Company and the Subscriber (as amended and supplemented by an agreement between the same parties dated 19 January 2005) in respect of the issue of the Convertible Note

LETTER FROM THE BOARD



PREMIUM LAND LIMITED **(上海策略置地有限公司)***

(incorporated in Bermuda with limited liability)

(Stock Code: 164)

Executive Directors:

Mr. Dong Bo, Frederic (*Chairman*)

Mr. Lau Man Tak

Independent Non-Executive Directors:

Mr. Kan Kwok Shu

Mr. Shum Ka Hei

Mr. Pang Haiou

Mr. Zuo Guang

Registered Office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

*Head Office and Principal Place
of Business in Hong Kong:*

Room 2906-8, 29/F.

Shui On Centre

6-8 Harbour Road

Wanchai

Hong Kong

20 January 2005

To the Shareholders

Dear Sirs,

PROPOSED ISSUE OF CONVERTIBLE NOTE AND REFRESHMENT OF GENERAL MANDATE TO ISSUE AND ALLOT SHARES

INTRODUCTION

The purpose of this circular is to give you (i) further information on, among other matters, the Subscription Agreement and the issue of the Convertible Note; (ii) details of the New General Mandate; (iii) the recommendation from the Independent Board Committee and KGI Capital Asia Limited in respect of the New General Mandate; and (iv) notice convening the SGM at which necessary resolutions will be proposed to seek approvals (a) from the Shareholders in respect of the issue of the Convertible Note and the issue and allotment of the Conversion Shares; and (b) from the Independent Shareholders in respect of the New General Mandate.

* For identification purpose only

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT

Date: 7 December 2004

Issuer: the Company

Subscriber: Peakhill Investments Limited, a limited liability company wholly and beneficially owned by Mr. Lam Kwan Sing. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner, Mr. Lam Kwan Sing are third parties independent of the Company and connected persons (within the meaning ascribed thereto in the Listing Rules) of the Company. As at the Latest Practicable Date, neither Peakhill Investments Limited nor Mr. Lam (including his associates) held any Shares. The principal activity of the Subscriber is investment holding for the Convertible Note.

Issue Size

The aggregate principal amount of the Convertible Note is HK\$32,400,000.

Conditions

Completion of the Subscription Agreement is conditional on:

- (a) the Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither the Company nor the Subscriber objects) the listing of, and permission to deal in, the Conversion Shares which may fall to be issued on conversion in full of the Convertible Note;
- (b) the passing of an ordinary resolution by the Shareholders at a special general meeting of the Company to be convened for approving and authorising the board of directors of the Company to issue and allot the Conversion Shares; and
- (c) (if required) the Bermuda Monetary Authority approving the issue of the Convertible Note and the issue and allotment of the Conversion Shares.

If the conditions set out above have not been fulfilled on or before 31 January 2005 (or such other date as may be agreed between the Company and the Subscriber) (the "Long Stop Date"), the Subscription Agreement will lapse and become null and void and the parties to the Subscription Agreement will be released from all obligations under the Subscription Agreement, save for liabilities for any antecedent breaches.

LETTER FROM THE BOARD

Completion

Completion of the Subscription Agreement will take place on the third business day after fulfillment of the conditions set out above. In view that the SGM is scheduled to be convened on Monday, 7 February 2005, completion of the Subscription Agreement cannot take place on or before 31 January 2005 but on or before 15 February 2005 (being the third business days after fulfilment of all conditions precedent in accordance with the Subscription Agreement).

With a view not to materially delaying completion of the Subscription Agreement, the Subscriber and the Company entered into an agreement supplemental to the Subscription Agreement to (i) extend the Long Stop Date to 8 February 2005; and (ii) amend the definition of the “**Completion Date**” (as defined in the Subscription Agreement) to the effect that completion shall take place on “the date on which the conditions precedent after fulfillment of the conditions set out in the Subscription Agreement are fulfilled”. In this regard, it is currently expected that completion of the Subscription Agreement can take place on or around 7 February 2005 (being the date of the SGM).

Further announcement will be made in the event of non-completion or delay of completion of the Subscription Agreement as appropriate.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTE

The principal terms of the Convertible Note are summarised below:

Interest

The Convertible Note will bear interest on the outstanding principal from the date of issue at a rate of 1% per annum. Interest will be payable on the Maturity Date (as defined below).

Maturity Date

Unless previously converted and subject to and in accordance with the terms and conditions of the Convertible Note, the Company will repay 100% of the principal amount outstanding under the Convertible Note together with all interest accrued thereon on the first anniversary of the date of issue of the Convertible Note (“**Maturity Date**”).

Conversion provisions

Conversion rights of the Noteholder

The Noteholder will have the right to convert the whole or part of the principal amount of the Convertible Note (in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion) into the Conversion Shares at the Conversion Price at any time prior to the Maturity Date.

LETTER FROM THE BOARD

Mandatory conversion by the Company

If the Company so determines by giving to the Noteholder at least three business days prior notice in writing, any principal amount which remains outstanding on the Maturity Date together with all interest accrued thereon will, unless to be redeemed as described in the paragraph headed "Redemption" below, be mandatorily converted into the Conversion Shares at the Conversion Price.

Conversion Price

The Conversion Price, which will be equal to HK\$0.03, is subject to adjustment for dilutive events including sub-division or consolidation of Shares, bonus issues, rights issues and granting any options or warrants of the Company to Shareholders to subscribe for new Shares, as set out in the Convertible Note.

The Conversion Price of HK\$0.03 (i) equals the closing price of HK\$0.03 per Share as quoted on the Stock Exchange on 26 November 2004, being the last trading day immediately prior to the date of the Subscription Agreement; (ii) represents a discount of about 10.18% to the average closing price of approximately HK\$0.0334 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 26 November 2004; (iii) represents a premium of about 7.91% over the average closing price of approximately HK\$0.0278 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 26 November 2004; (iv) represents a discount of about 63.86% to the closing price of HK\$0.083 per Share as quoted on the Stock Exchange on 14 January 2005, being the last trading day immediately prior to the Latest Practicable Date; and (v) represents a discount of about 65.71% to the net asset value per Share of HK\$0.0875 as at 31 March 2004.

Having taken into consideration, among other things, the following factors:

- (a) the Convertible Note bears a low interest rate of 1% per annum as opposed to existing banking facilities which have an average prevailing interest rate of approximately 5% to 6% per annum; and
- (b) as compared to subscription of new Shares, the issue of the Convertible Note may or may not have any immediate dilution effect on the existing shareholding of the Company,

the Directors believe that the discount of the Conversion Price, as compared with the average closing price of the Shares for the last 5 consecutive trading days shown above is justifiable. The Directors confirm that the conversion price was arrived at after arm's length negotiation between the Company and the Subscriber.

LETTER FROM THE BOARD

Conversion Shares

The Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of conversion. Assuming that the Convertible Note is converted in full and the Conversion Price equals HK\$0.03 per Share, a maximum of 1,080,000,000 Conversion Shares will fall to be issued, representing approximately 19.95% of the issued share capital of the Company as at the Latest Practicable Date and approximately 16.63% of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares.

Redemption

The Company will be entitled, by giving prior written notice of not less than 7 business days to the Noteholder, to at any time redeem (in amounts of not less than a whole multiple of HK\$1,000,000) the whole or part of the outstanding principal amount of the Convertible Note by paying to the Noteholder an amount equal to 101% of the outstanding principal amount of the Convertible Note to be redeemed.

All interest accrued on the amount to be redeemed up to the date of redemption will also be paid to the Noteholder upon such redemption.

The Noteholder is not entitled to require early redemption without the consent of the Company.

Voting

The Noteholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being a Noteholder.

Transferability

No assignment or transfer (whether in whole or in part(s)) of the Convertible Note may be made until 3 months after the date of issue of the Convertible Note and any such assignment or transfer after such 3-month period may only be made if:

- (a) it is made to person(s) independent of and not connected with the Company or any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as such terms are defined in the Listing Rules);
- (b) prior written approval the Company have been obtained in respect of such assignment or transfer and in accordance with the applicable requirements of the Stock Exchange (if any); and
- (c) the principal amount to be assigned or transferred is at least HK\$1,000,000 and in integral multiples of HK\$1,000,000.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company immediately before and after the exercise of the conversion rights attached to the Convertible Note in full (and assuming no further Shares which may be issued pursuant to the exercise of the any options which may be granted under the share option scheme of the Company or may be issued or purchased by the Company pursuant to the general mandates for the issue or purchase of securities granted to the Directors) is as follows:

	Shareholding as at the Latest Practicable Date		Shareholding as at the Latest Practicable Date immediately prior to the issue of the Conversion Shares		Shareholding immediately after the issue of the Conversion Shares in full	
	Number of Shares (approximately)	%	Number of Shares (approximately)	%	Number of Shares (approximately)	%
United Jumbo Limited (<i>Note</i>)	1,030,468,350	19.03	1,030,468,350	19.03	1,030,468,350	15.87
Subscriber	-	-	-	-	1,080,000,000	16.63
Public Shareholders	<u>4,383,257,620</u>	<u>80.97</u>	<u>4,383,257,620</u>	<u>80.97</u>	<u>4,383,257,620</u>	<u>67.50</u>
Total	<u><u>5,413,725,970</u></u>	<u><u>100.00</u></u>	<u><u>5,413,725,970</u></u>	<u><u>100.00</u></u>	<u><u>6,493,725,970</u></u>	<u><u>100.00</u></u>

Note: United Jumbo Limited is wholly and beneficially owned by Mr. Dong Bo, Frederic, the executive Director.

As indicated above, the Company did not have any controlling shareholder (within the meaning ascribed thereto in the Listing Rules) as at the Latest Practicable Date. Save as disclosed in this circular, there was no outstanding convertible debts, options or warrants of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

FUNDS RAISED ON ISSUE OF SECURITIES BY THE COMPANY IN THE PAST 12 MONTHS

Save for the fund raising activities summarised in the following table, the Group has not undertaken any fund raising exercise over the last 12 months:

Date of announcement	Event	Net proceeds (approximately)	Intended use of net proceeds	Actual use of net proceeds as at the date of this announcement
20 February 2004	Placing of 740,000,000 Shares at a price of HK\$0.05 per Share	HK\$36 million	General working capital of the Company	Fully-utilised as general working capital of the Company
17 November 2004	Placing of 902,280,000 Shares at a price of HK\$0.02 per Share	HK\$17.7 million	General working capital of the Company	Same as intended but not yet utilized at all up to the Latest Practicable Date
8 December 2004	Proposed issue of the the Convertible Note in the aggregate amount of HK\$32.4 million at the conversion price of HK\$0.03 per Share (subject to adjustments) (being the subject matter of this circular)	HK\$32 million	General working capital of the Company	Not applicable as the issue has not yet become unconditional, pending the fulfilment of certain conditions precedent including, among other matters, the obtaining of the Shareholders' approval
6 January 2005	Proposed issue of 530,000,000 new Shares at a price of HK\$0.03 per Share	HK\$15.5 million	For property investment in Macau	Not applicable as the issue has not yet become unconditional, pending the fulfilment of certain condition precedent including, among other matters, the obtaining of the Shareholders' approval

LETTER FROM THE BOARD

Date of announcement	Event	Net proceeds (approximately)	Intended use of net proceeds	Actual use of net proceeds as at the date of this announcement
6 January 2005	Proposed issue of convertible notes in an principal amount of HK\$31.2 million at the conversion price of HK\$0.03 per Share (subject to adjustments)	HK\$30 million	For property investment in Macau	Not applicable as the issue has not yet become unconditional, pending the fulfilment of certain condition precedent including, among other matters, the obtaining of the Shareholders' approval
6 January 2005	Proposed issue of convertible notes in an principal amount of HK\$78 million at the conversion price of HK\$0.03 per Share	HK\$77 million	To be capitalized into capital of a wholly owned subsidiary of the Company as a special purpose vehicle for the purpose of the acquisition or purchase of land or property in Macau	Not applicable as the issue has not yet become unconditional, pending the fulfilment of certain condition precedent including, among other matters, the obtaining of the Shareholders' approval

As disclosed in the announcement (the “**Subsequent Announcement**”) of the Company dated 6 January 2005, the Company conducted further fund raising exercises in addition to the proposed issue of the Convertible Note by the entering into the Share Subscription Agreement, Placing Agreement and the CB Subscription Agreements. Unless the context otherwise requires, terms used herein shall have the same meanings as those defined in the Subsequent Announcement. Details of the Share Subscription Agreement, the Placing Agreement and the CB Subscription Agreements (and the Subscription Shares, the Underwritten Convertible Notes and the Guaranteed Convertible Notes) are set out in the Subsequent Announcement and further particulars thereof will be included in a circular of the Company to be despatched to the Shareholders.

It is expected that, as disclosed in the Subsequent Announcement, completion of the Share Subscription Agreement, the Placing Agreement and the CB Subscription Agreement would be expected to take place tentatively on or around 24 February 2005 (in respect of the CB Subscription Agreements) or 18 March 2005 (in the case of the Share subscription Agreement and the Placing Agreement) respectively in accordance with the respective terms thereof.

LETTER FROM THE BOARD

Shareholders are recommended to read the Subsequent Announcement and the forthcoming circular of the Company therefor. To enable the Shareholders to make an informed decision in respect of the relevant resolution(s) proposed for approval of the Convertible Note at the SGM, shareholding structure of the Company before and after full exercise of the conversion rights attached to the Convertible Note, the Underwritten Convertible Notes and/or the Guaranteed Convertible Notes and/or issue of the Subscription Shares (as the case may be) are set out below:

Name	Existing Shareholding	%	Upon completion of the Share Subscription Agreement, the Placing Agreement and the CB Subscription Agreements									
			(assuming no conversion of the Convertible Note, the Underwritten Convertible Notes and the Guaranteed Convertible Notes)	(assuming full conversion of the Convertible Note only and no conversion of the Underwritten Convertible Notes and the Guaranteed Convertible Notes)	(assuming no conversion of the Convertible Note and the Guaranteed Convertible Notes but full conversion of the Underwritten Convertible Notes only)	(assuming no conversion of the Convertible Note and the Underwritten Convertible Notes but full conversion of the Guaranteed Convertible Notes only)	(assuming full conversion of the Convertible Note, the Underwritten Convertible Notes and the Guaranteed Convertible Notes)					
United Jumbo Limited (Note 1)	1,030,468,350	19.03	1,030,468,350	17.34	1,030,468,350	14.67	1,030,468,350	14.76	1,030,468,350	12.06	1,030,468,350	9.66
Subscriber	-	0	-	0	1,080,000,000	15.38	-	0	-	0	1,080,000,000	10.13
Share Subscriber (Note 2)	-	0	530,000,000	8.91	530,000,000	7.55	530,000,000	7.59	530,000,000	6.20	530,000,000	4.97
CB Subscribers (Note 3)												
Stark International	-	0	-	0	-	0	-	0	182,000,000	2.13	182,000,000	1.71
Shepherd Investments	-	0	-	0	-	0	-	0	1,170,000,000	13.69	1,170,000,000	10.97
Stark Asia	-	0	-	0	-	0	-	0	390,000,000	4.56	390,000,000	3.66
Stark Japan	-	0	-	0	-	0	-	0	234,000,000	2.74	234,000,000	2.19
Centar Investments	-	0	-	0	-	0	-	0	624,000,000	7.30	624,000,000	5.85
Placées of the Underwritten Convertible Notes (Note 4)	-	0	-	0	-	0	1,040,000,000	14.89	-	0	1,040,000,000	9.75
Public	4,383,257,620	80.97	4,383,257,620	73.75	4,383,257,620	62.40	4,383,257,620	62.76	4,383,257,620	51.32	4,383,257,620	41.11
Total	5,413,725,970	100.00	5,943,725,970	100.00	7,023,725,970	100.00	6,983,725,970	100.00	8,543,725,970	100.00	10,663,725,970	100.00

Notes:

1. United Jumbo Limited is wholly and beneficially owned by Mr. Dong Bo, Frederic, the executive Director.
2. The Share Subscriber, Willplus Assets Limited, is wholly and beneficially owned by Mr. Wong Cho Fai, Nicholas. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, both Mr. Wong Cho Fai, Nicholas and the Share Subscriber are third parties independent or and not connected with the Company or connected person (within the meaning ascribed thereto in the Listing Rules) of the Company.
3. According to the information provided by the CB Subscribers, each of the CB Subscribers, namely, Stark International (a Bermuda partnership), Shepherd Investments International, Ltd., Stark Asia Master Fund Ltd., Stark Japan Master Fund Ltd. and Centar Investments (Asia) Ltd., is an investment fund which is widely held by US domestic and/or international professional investors. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the CB Subscribers and its investment manager are third parties independent or and not connected with the Company or connected person (within the meaning ascribed thereto in the Listing Rules) of the Company.

LETTER FROM THE BOARD

LISTING

No application will be made for a listing of, or permission to deal in, the Convertible Note on the Stock Exchange or any other stock exchange. An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

REASONS FOR THE TRANSACTION

The Group's principal activities include securities trading and investments, property investments, development and property related services, trading of building materials, provision of renovation services and operation of toll highway. Currently, the Group owns certain sites which is intended for redevelopment purposes in Hong Kong and is considering the redevelopment on these sites. It is intended that these sites are for residential and/or commercial use and for sale and/or leasing purposes depending on the then market conditions.

The Directors consider that the terms of the Subscription Agreement are fair and reasonable and given the current favourable market sentiment in Hong Kong, the Directors also consider the timing of the issue of the Convertible Note is appropriate and is also in the interests of the Company and the Shareholders as a whole. The Directors also consider that the issue of the Convertible Note is an appropriate means of raising additional capital for the Company since it will provide the Company with immediate funding without immediate dilution of the shareholding of the existing Shareholders and, if the conversion rights attached to the Convertible Note are exercised, the capital base of the Company will be enlarged.

In addition to the proposed issue of the Convertible Note, the Company would raise further proceeds from the proposed issue of the Subscription Shares, the Underwritten Convertible Notes and the Guaranteed Convertible Notes (after deducting the expenses relating thereto) which will amount to approximately HK\$122.5 million as disclosed in the Subsequent Announcement. It is the intention of the Company to use such proceeds, together with the proceeds from previous fund raisings (including those from the issue of the Convertible Note) (as announced by the Company on 17 November 2004 and 8 December 2004) to the extent not utilised as general working capital, for property investment in Macau as and when appropriate. Further announcement will be made in the event that the Company decides to change the intended use of proceeds from such fund raisings as general working capital of the Company.

The Board considered that given the recent upturn of the market condition and the general economic environment in Hong Kong, the timing of raising additional funds is in the best interests of the Company and the Shareholders as a whole and with more capital on hand, the Group's financial position can be strengthened and the Group is in a better position in grasping future investment opportunity notwithstanding that there were frequent fund raising activities of the Group in the past 12 month period and the shareholding interest of the Shareholders has been diluted.

LETTER FROM THE BOARD

The Group considers that the imposition of macro-economic control policy in the PRC in 2004, coupled with the oversupply problem, put the property market in the PRC into a very difficult year. In view that the economy of Macau has been booming recently following the implementation of the Closer Economic Partnership Arrangement that stimulates business travels and mainland individuals visit to Macau, the Directors are confident that the property market in Macau will continue to be prosperous in line with the economy. Therefore, the Group is optimistic about the property market in Macau and looking for investment opportunity. Although no specific targets or types of properties had been identified as at the Latest Practicable Date, the Group has identified property investment in Macau as a direction in the future.

The Directors are of the view that although the issue of 530,000,000 Subscription Shares will lead to a dilution effect on the shareholding of the Company, such fund raising activity will improve the liquidity and gearing ratio of the Group while strengthening the Shareholders' base.

The Directors also consider that the issue of the Underwritten Convertible Notes and Guaranteed Convertible Notes in the aggregate principal amount of HK\$109,200,000 is an appropriate means through which the Group can raise funds as it provides the Company with immediate funding without immediate further dilution of the shareholding of the existing shareholders of the Company notwithstanding that their Shareholding interests will be diluted if the conversion rights attached to the Underwritten Convertible Notes and the Guaranteed Convertible Notes are so exercised.

USE OF PROCEEDS

The net proceeds from the issue of the Convertible Note will be approximately HK\$32 million and are intended to be used for the Group's general working capital. However, as disclosed above, the Group is optimistic about the property market in Macau and looking for investment opportunity and although no specific targets or types of properties had been identified as at the Latest Practicable Date, the Group had identified property investment in Macau as a direction in future. Therefore, the Company may use such proceeds to the extent not utilised as general working capital, together with the proceeds from the proposed issue of the Subscription Shares, the Underwritten Convertible Notes and the Guaranteed Convertible Notes, for property investment in Macau as and when appropriate and in the interest of the Group.

Further announcement will be made in the event that the Company decides to change the intended use of the proceeds from the Convertible Note as general working capital of the Company.

NEW GENERAL MANDATE

At the annual general meeting of the Company held on 3 September 2004, the Shareholders approved, among other things, an ordinary resolution to approve the grant of the Existing General Mandate to the Directors. As at the date of the passing of that resolution, there were a total of 4,511,445,970 Shares in issue and thus the Directors were authorised to issue and allot 902,289,194 Shares under the Existing General Mandate.

LETTER FROM THE BOARD

During the period from the date of approval of the Existing General Mandate to the Latest Practicable Date, an aggregate 902,280,000 Shares were issued pursuant to the placing agreement entered into by the Company (details of which are disclosed in the announcement of the Company dated 17 November 2004) and thus the Existing General Mandate has, to a significant extent, been utilised.

Since the date of the annual general meeting of the Company held on 3 September 2004, the Company has not made any arrangement for the refreshment of any general mandate for issue of securities save for the New General Mandate.

At the SGM, an ordinary resolution will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the New General Mandate to exercise the powers of the Company to issue and allot Shares of up to 20% of the issued share capital of the company as at the date of passing the ordinary resolution; and
- (ii) such mandate be extended to Shares repurchased by the Company pursuant to the general mandate to repurchase Shares granted to the Directors at the annual general meeting held on 3 September 2004.

As at the Latest Practicable Date, the Company had an aggregate of 5,413,725,970 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the New General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Directors would be authorised under the New General Mandate to issue and allot up to 1,082,745,194 Shares, being 20% of the 5,413,725,970 Shares in issue as at the Latest Practicable Date.

REASONS FOR THE NEW GENERAL MANDATE

In order to maintain the financial flexibility for the Group's future business development, the Directors proposed to seek approval by the Independent Shareholders at the SGM for the New General Mandate. While the Directors considered that there is no immediate funding need for the Group's current operations following completion of the placing of 902,280,000 new Shares on 14 December 2004, upon the issue of the Convertible Note and the proposed issue of 530,000,000 new Shares at the subscription price of HK\$0.03 per each Share for an aggregate price of HK\$15,900,000 and issue of convertible notes in the aggregate principal amount of HK\$109,200,000 as announced by the Company on 6 January 2005, the Directors believe the granting of the New General Mandate could enhance the financing flexibility of the Company to raise capital, if and when required, through further equity fund raising exercise by issuing Shares for future business development of the Group. The Directors confirm that there was no concrete future development plan for the Group as at the Latest Practicable Date, save for the existing principal activities of the Group and the proposed business development in Macau as disclosed in the paragraph headed "Reason for the transaction". In addition, the Directors consider that if investment opportunities arise, investment decisions may have to be made in a timely manner and

LETTER FROM THE BOARD

under such circumstances, the New General Mandate would provide the Group with the flexibility permitted under the Listing Rules to issue new Shares as consideration for potential investments, including but not limited to, any potential acquisitions in the future as and when opportunity arises. The Directors confirm that as at the Latest Practicable Date, no such potential acquisitions/investments had been identified and there were no negotiations or agreements entered into by the Company relating to any such acquisition/investment or fund raising exercise for such purpose save as disclosed in this circular and the Subsequent Announcement. In particular, the Board would like to clarify that none of the Convertible Note, the Underwritten Convertible Notes and the Guaranteed Convertible Notes will be placed or issued to any gaming fund as at the Latest Practicable Date, nor did the Group engage in negotiation/discussion in the acquisition or investments in the gaming business.

Shareholders should note that, upon utilisation of the New General Mandate, the aggregate shareholding of the existing Shareholders would be diluted, the potential effect of which is set out in the letter from KGI Capital Asia Limited in this circular. Taking into account the benefits of the New General Mandate aforesaid, the Directors consider that the grant of the New General Mandate is in the best interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group's future development. In appropriate circumstances, the Directors will also consider other financing methods, such as debt financing or internal resources to fund its future business development, depending on the then financial position of the Group.

SHAREHOLDERS' APPROVALS

As disclosed above, Shareholders' approval will be required for the issue of the Convertible Note and the issue and allotment of the Conversion Shares and the SGM will be convened for such purpose. No Shareholders or their associates (within the meaning ascribed thereto in the Listing Rules) has any interest in the Subscription Agreement which is different from the other Shareholders and accordingly no Shareholder is required to abstain from voting at the SGM for the approval of the issue of the Convertible Note and the issue and allotment of the Conversion Shares.

Pursuant to Rule 13.36(4)(a) of the Listing Rules, the New General Mandate requires approval of the Independent Shareholders subject to, as there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates abstaining from voting in favour thereof. Accordingly, Mr. Dong Bo, Frederic and United Jumbo Limited, wholly and beneficially owned by Mr. Dong Bo, Frederic and therefore his associate, will be required to abstain from voting at the SGM in respect of the New General Mandate. As at the Latest Practicable Date, the total number of issued Shares was 5,413,725,970 Shares and Mr. Dong Bo, Frederic and United Jumbo Limited (and, if applicable, his associates) were altogether beneficially interested in an aggregate 1,030,468,350 Shares (representing approximately 19.03% of the issued share capital of the Company), being the total number of Shares in respect of which he and his associates will control or will be entitled to exercise control over the voting rights at general meeting of the Company. Save for Mr. Dong Bo, Frederic and United Jumbo Limited, no other Directors, chief executive or their associates held any Shares and

LETTER FROM THE BOARD

no other person will be required to abstain from voting in favour at the SGM in respect of the New General Mandate. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, neither Mr. Dong Bo, Frederic nor United Jumbo Limited will vote against the relevant resolution in respect of the New General Mandate.

Pursuant to Rule 13.39(4)(b) of the Listing Rules, any vote of the Independent Shareholders will be taken by poll. The procedure for demand for voting on poll at the SGM is set out in the paragraph headed "Voting on poll" below.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the New General Mandate. KGI Capital Asia Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

The SGM will be held at 9:00 a.m. on Monday, 7 February 2005 at Gemini & Libra Rooms, 33rd Floor, Rosedale On The Park, 8 Shelter Street, Causeway Bay, Hong Kong for the purpose of considering and, if thought fit, passing the ordinary resolutions to approve the issue of the Convertible Note and the issue and allotment of the Conversion Shares and the New General Mandate. A notice convening the SGM is set out on pages 25 to 28 of this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Secretaries Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from subsequently attending and voting at the SGM or any adjourned meetings if you so wish.

VOTING ON POLL

Pursuant to bye-law 66 of the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:-

- (i) the chairman of such meeting; or
- (ii) at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) a member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

LETTER FROM THE BOARD

- (iv) a member or members present in person or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office of the Company at Room 2906-8, 29/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong during normal business hours up to the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Subscription Agreement (together with the supplemental agreement thereto dated 19 January 2005 entered into by the same parties);
- (c) the Share Subscription Agreement (as defined in the Subsequent Announcement);
- (d) the Placing Agreement (as defined in the Subsequent Announcement); and
- (e) the CB Subscription Agreements (as defined in the Subsequent Announcement).

RECOMMENDATION

The Directors are of the opinion that the terms and conditions of the Subscription Agreement and the Convertible Note were fair and reasonable and were arrived at after arm's length negotiation and that the issue of the Convertible Note is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM.

Your attention is also drawn to the letter from the Independent Board Committee set out on page 18 of this circular which contains its advice to the Independent Shareholders in respect of the New General Mandate, and the letter from KGI Capital Asia Limited on pages 19 to 25 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

Yours faithfully,
For and on behalf of the Board
PREMIUM LAND LIMITED
Dong Bo, Frederic
Director



PREMIUM LAND LIMITED
(上海策略置地有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 164)

20 January 2005

To the Independent Shareholders

Dear Sirs,

**REFRESHMENT OF GENERAL MANDATE
TO ISSUE AND ALLOT SHARES**

We have been appointed as members of the independent board committee to advise you in connection with the New General Mandate, details of which are set out in the letter from the Board in a circular dated 20 January 2005 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the circular unless the context otherwise requires.

KGI Capital Asia Limited has been appointed to advise us and the Independent Shareholders as to whether the New General Mandate is fair and reasonable and whether it is in the interest of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 19 to 25 of the Circular.

Having considered the advice given by KGI Capital Asia Limited and the principal factors and reasons taken into consideration by them in arriving at its advice, we are of the opinion that the New General Mandate is in the best interests of the Company and the Shareholders as a whole, and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the grant of the New General Mandate.

Yours faithfully,

Independent Board Committee of
PREMIUM LAND LIMITED

Kan Kwok Shu Shum Ka Hei Pang Haiou Zuo Guang

Independent non-executive Directors

* For identification purpose only

LETTER FROM KGI CAPITAL ASIA LIMITED

The following is the text of a letter of advice from KGI Capital Asia Limited to the Independent Board Committee and the Independent Shareholders in connection with the New General Mandate, which has been prepared for the purpose of incorporation in this Circular.



KGI Capital Asia Limited

27/F., ICBC Tower
Citibank Plaza
3 Garden Road
Central Hong Kong

Tel: 2970 0100

Fax: 2970 0080

20 January 2005

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

INTRODUCTION

We refer to the circular dated 20 January 2005 (the “Circular”) issued by the Company to its Shareholders of which this letter forms part and to our appointment as independent financial adviser to the Independent Board Committee in respect of the New General Mandate, the details of which are set out in the letter from the Board (the “Letter”) contained in the Circular. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular of which this letter forms part unless the context otherwise requires.

In accordance with the Rule 13.36(4)(a) of the Listing Rules, the New General Mandate requires the approval of the Independent Shareholders at which the controlling Shareholder and its/his associate or where there is no controlling Shareholders, Directors (excluding independent non-executive Directors) and chief executive of the Company and their respective associate shall abstain from voting in favour at the SGM. As at the Latest Practicable Date, since there is no controlling Shareholder, Mr. Dong Bo, Frederic, the chairman of the Company and United Jumbo Limited which is wholly and beneficially owned by Mr. Dong Bo, Frederic and currently holds approximately 19.03% issued share capital of the Company, and all Directors and their associates shall abstain from voting in favour at the SGM. Voting of the Independent Shareholders at the SGM shall be taken by poll according to Rule 13.39(4)(b) of the Listing Rules.

LETTER FROM KGI CAPITAL ASIA LIMITED

The Independent Board Committee, comprising the independent non-executive Directors, namely, Mr. Kan Kwok Shu, Mr. Shum Ka Hei, Mr. Pang Haiou and Mr. Zuo Guang, has been appointed to advise the Independent Shareholders in relation to the New General Mandate.

We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the New General Mandate, so far as the interests of the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion, we have relied to a considerable extent on the information, statements, opinions and representations supplied to us by the Company and the Directors and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and remain true as at the date of the Circular, and we have relied on the same. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter contained in the Circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. We have also discussed with the management of the Group regarding the prospects of the businesses of the Group.

We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the New General Mandate and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material facts or information (which is known to the Company) has been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth and accuracy of the information and fact, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the New General Mandate, we have considered the following principal factors and reasons:

Background of and reasons for the New General Mandate

The Group is principally engaged in securities trading and investments, property development and investment and sales, trading of building materials and renovation services and operation of toll highway.

LETTER FROM KGI CAPITAL ASIA LIMITED

At the annual general meeting of the Company held on 3 September 2004, the Shareholders approved, among other things, an ordinary resolution to approve the grant of the Existing General Mandate to the Directors. As at the date of the passing of that resolution, there were a total of 4,511,445,970 Shares in issue and thus the Directors were authorised to issue and allot 20% of which, being 902,289,194 Shares under the Existing General Mandate.

On 14 December 2004, the Company completed the placing of an aggregate 902,280,000 Shares pursuant to the placing agreement entered into by the Company and Kingston Securities Limited dated 17 November 2004, representing approximately 20% of the total of 4,511,445,970 Shares in issue and about 16.67% of the Company's issued share capital of 5,413,725,970 Shares as enlarged by the placing, and thus the Existing General Mandate is almost fully utilised (detailed of which are disclosed in the announcement of the Company dated 17 November 2004). The shareholdings of existing shareholders were diluted by 16.67% due to the aforesaid placing.

According to the Letter and as disclosed in the announcement of the Company date 6 January 2005, the Company conducted further fund raising exercises in addition to the proposed issue of the Convertible Note by the entering into the Share Subscription Agreement, Placing Agreement and the CB Subscription Agreement. After the full exercise of the conversion rights attached to the Convertible Note, the Underwritten Convertible Note and/or the Guaranteed Convertible Notes and/or issue of the Subscription Share (as the case may be), the existing public shareholding would diluted from 80.97% to 41.11%.

In order to maintain the financial flexibility for the Group's future business development, the Directors proposed to seek approval by the Independent Shareholders at the SGM in respect of the New General Mandate, in which the Directors shall be granted to allot and issue not exceeding 20% of the issued share capital of the Company. The New General Mandate will be in force when it is approved by the Independent Shareholders at the SGM.

Financial performance of the Group

The Group has experienced losses for the pervious two consecutive years ended 31 March 2004. The Group recorded a net loss of approximately HK\$67 million for the year ended 31 March 2004, representing a decrease of 69.5% compared to the previous year of approximately HK\$220 million. According to the annual report of the Group for the year ended 31 March 2004 ("Annual Report"), the improvement in the financial performance was mainly achieved through the gradually improved local economy and business operating environments since the second half of 2003 and the disposal of the investment property situated at Henderson Road, which was completed in October 2003 and the sale of these assets generated profit of approximately HK\$83 million.

LETTER FROM KGI CAPITAL ASIA LIMITED

According to the latest interim report for the six months ended 30 September 2004 (“Interim Report”), the Group recorded a consolidated turnover of approximately HK\$52 million for the six months ended 30 September 2004, representing a decrease of 38% from approximately HK\$84 million for the corresponding period in the last year. As stated in the Interim Report, the decrease was largely attributable to (a) the decrease in securities trading and investments from approximately HK\$48 million for the six months ended 30 September 2003 to approximately HK\$33 million for the corresponding period in 2004; and (b) the decrease in property sales from approximately HK\$16 million for the six months ended 30 September 2003 to no sales recorded for the corresponding period in 2004. The Directors confirm that the Group is currently undertaking some property development projects which are still under development. According to the Directors, since no property had been completed and sold to the market for the six months ended 30 September 2004, there was no sales recorded for the aforesaid period. The loss attributable to shareholders amounted to approximately HK\$35 million for the six months ended 30 September, 2004 compared to approximately HK\$26 million for the corresponding period of last year. The shareholders’ funds of the Group decreased from approximately HK\$290 million to approximately HK\$256 million for the same period. In other words, the gearing of the Group increased and so did its financial risk.

We, therefore, are of the view that further equity financing exercise, through issue of shares or derivatives of shares, is a suitable method to reduce the gearing and will certainly reduce the financial risk of the Group, which should be beneficial to the Shareholders of the Group as a whole. Through the refreshment of the general mandate, the Group is allowed to select the most appropriate method of financing for the Group’s future expansion.

As stated in the Letter, the Directors considered that there is no immediate funding needs for the Group’s current operations following the completion of the placing of 902,280,000 new Shares on 14 December 2004, upon the issue of the Convertible Note and the proposed issue of 530,000,000 new Shares and issue of convertible notes in the aggregate principal amount of HK\$109,200,000 as announced by the Company dated on 6 January 2005, the Directors will consider and may further conduct equity fund raising exercise by issuing Shares to prepare for future business development of the Group such as property development and investment if any potential investors offer attract terms for investment in the Shares, which may or may not result in the exercise of the New General Mandate. According to the Directors, there was no concrete future developing planning as at the Latest Practicable Date.

Financial flexibility

We have reviewed the information, including the financial information stated in the Annual Report and the bank statements of the Group provided by the Group, and have discussed with the management of the Group and have been advised by the Directors and we concur that the Group has sufficient working capital and has no immediate funding needs for the current operations of the Group. As stated in

LETTER FROM KGI CAPITAL ASIA LIMITED

the Letter, the Directors considered that there is no immediate funding needs for the Group's current operations following the completion of the placing of 902,280,000 new Shares and issue of 530,000,000 new Shares and issue of convertible notes in the aggregate principal amount of HK\$109,200,000 as announced by the Company dated on 6 January 2005, the Directors will consider and may further conduct equity fund raising exercise by issuing Shares to prepare for future business development of the Group if any potential investors offer attract terms for investment in the Shares, which may or may not result in the exercise of the New General Mandate. We consider that the granting of the New General Mandate could enhance the financing flexibility of the Company to raise capital, if and when required, through placing of new Shares for further development of the Group. In addition, the Directors consider that if investment opportunities arise, investment decisions may have to be made within a short period of time. The New General Mandate would provide the Group with the maximum flexibility as allowed under the Listing Rules to allot and issue new Shares to raise capital through placing of new Shares as consideration for funding such potential acquisitions in the future as and when such opportunity arise.

As confirmed by the Directors there is no concrete proposal presented by the potential investors currently for investment in the Shares as at the Latest Practicable Date. As stated in the Annual Report, the Group will rest upon its solid foundation to further expand its business developments with more aggressive pace and controllable risk by beneficial from the improving economic and business environment. We are of the view that the Group is appropriate to further expand its business developments and continue to vigorously explore into investment opportunities for its organic growth so as to leverage its sound financial positions with steady stream of income and strike for a higher return for the Shareholders in the year to come.

If the New General Mandate is approved and assuming that no further Shares are issued or repurchased from the Latest Practicable Date up to and including the date of the SGM, an additional 1,082,745,194 Shares, representing 20% of the existing 5,413,725,970 issued Shares as at the Latest Practicable Date, could be allotted and issued by the Directors under the New General Mandate. We concur with the Directors that the grant of the New General Mandate is in the best interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group's future development.

Other financing alternatives

Other than raising fund by way of issuing equity capital, in appropriate circumstances, the Directors will also consider other financing methods, such as debt financing or internal resources to fund its future business development, depending on the then financial position of the Group. As advised by the Directors, the New General Mandate provides another alternative to the Directors to finance the Group's current and future potential businesses and the Directors will use the method which serves the best interests of the Group. We consider it is a sensible consideration to make reference to the then financial position of the Group and the prevailing market condition in order to decide on a financing method for the future development of the Group.

LETTER FROM KGI CAPITAL ASIA LIMITED

Potential dilution to shareholding of the Independent Shareholders

The table set out below illustrating the shareholding structures of the Company at the Latest Practicable Date, for informative purpose, the respective shareholding structures of the Company upon full utilisation of the New General Mandate:

	Issued Shares as at the Latest Practicable Date		Issued Shares with full utilisation of the New General Mandate	
	(No. of Shares)	%	(No. of Shares)	%
United Jumbo Limited				
(Note)	1,030,468,350	19.03	1,030,468,350	15.86
Public shareholders	4,383,257,620	80.97	4,383,257,620	67.47
Shares issued under the New General Mandate	-	-	1,082,745,194	16.67
Total	5,413,725,970	100	6,496,471,164	100

Note: United Jumbo Limited is wholly and beneficially owned by Mr. Dong Bo, Frederic, the executive Director of the Group.

Shareholders should note that the Existing General Mandate will be revoked upon approval at the SGM of the New General Mandate which will be and continue to be enforced until the earliest of (i) the conclusion of the Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act of Bermuda or any other applicable laws of Bermuda to be held; and (iii) the revocation or variation of the authority given under the relevant resolution by an ordinary resolution of the Shareholders in general meeting. Such duration is in compliance with Rule 13.36(3) of the Listing Rules.

Upon full utilisation of the New General Mandate, 1,082,745,194 Shares will be issued, representing approximately 20% and approximately 16.67% of the existing issued share capital as at the Latest Practicable Date and the enlarged issued share capital (increased by the New General Mandate) of the Company respectively.

Shareholders should note that the aggregate shareholding of the existing public Shareholders will decrease from approximately 80.97% to approximately 67.47% upon full utilisation of the New General Mandate, with a potential maximum dilution of approximately 13.50% upon full utilisation of the New General Mandate. In addition, Shareholders should note that the aggregate shareholding of the existing public Shareholders upon completion of the Share Subscription Agreement, the Placing Agreement and the CB Subscription Agreements assuming full conversion of the Convertible Note, the Underwritten Convertible Note and the Guaranteed Convertible Notes will decrease from approximately 41.11% to approximately 37.3% upon full utilisation of the New General Mandate. Having considered that the New General

LETTER FROM KGI CAPITAL ASIA LIMITED

Mandate will increase the amount of capital which may be raised under the New General Mandate and provides more options of financing to the Group for its further business development as well as in exploring other future investment opportunities for its organic growth, and the fact that the shareholding of all the Shareholders will be diluted to the same extent upon any utilisation of the New General Mandate, we are of the view that such dilution or potential dilution to shareholding of the Independent Shareholders is fair and reasonable.

Terms of the New General Mandate

Pursuant to the Listing Rules, the Company will be required to seek prior consent of Shareholders for any allotment, issue or grant of Shares or securities convertible into Shares or other rights to subscribe for Shares or such convertible securities, unless such allotment, issue or grant falls under the circumstances provided under Rule 13.36(2) of the Listing Rules, including certain rights issue and open offer (subject to other Listing Rules requirements on the offering size and structure). Pursuant to Rule 13.36(2)(b) of the Listing Rules, an ordinary resolution will be proposed at the SGM to obtain approval from the Shareholders to refresh the Existing General Mandate so that the Directors will be entitled to exercise the powers of the Company to allot and issue Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM. The approval of the New General Mandate by the Shareholders is unconditional.

CONCLUSION

Having considered the above principal factors and reasons concerning the New General Mandate, in particular: (1) background of and reasons for the New General Mandate; (2) financial performance of the Group; (3) enhancement of financial flexibility to the Group; and (4) fair and reasonable potential dilution to shareholdings of the Independent Shareholders, we are of the view that the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and it is in the interests of the Company and the Shareholders as a whole and would advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the resolution to approve the New General Mandate at the SGM.

Yours faithfully,
For and on behalf of
KGI Capital Asia Limited
Thomas Wang
Vice President

NOTICE OF SGM



PREMIUM LAND LIMITED **(上海策略置地有限公司)***

(incorporated in Bermuda with limited liability)

(Stock Code: 164)

NOTICE IS HEREBY GIVEN that a special general meeting of Premium Land Limited (the “**Company**”) will be held at Gemini & Libra Rooms, 33rd Floor, Rosedale On The Park, 8 Shelter Street, Causeway Bay, Hong Kong on Monday, 7 February 2005 at 9:00 a.m., for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the conditional subscription agreement dated 7 December 2004 and the supplemental agreement date 19 January 2005 (collectively the “**Subscription Agreement**”) entered into between Premium Land Limited (the “**Company**”) and Peakhill Investments Limited (the “**Subscriber**”) in relation to the subscription and issue of the convertible note (the “**Convertible Note**”) in the principal amount of HK\$32,400,000 by the Subscriber (a copy of which having been produced to the meeting, marked “A” and signed by the chairman of the meeting for the purposes of identification) be and is hereby approved, ratified and confirmed and the issue of the Convertible Note and the issue and allotment of the Conversion Shares (as defined in the Subscription Agreement) be and the same are hereby approved; and
- (b) any one director of the Company (each a “**Director**”) be and he is hereby generally and unconditionally authorised in the best interests of the Company to do all such acts, including without limitation, the issue and allotment of such number of Conversion Shares upon the exercise of the Conversion Rights (as defined in the Subscription Agreement), and execute all such documents for and on behalf of the Company by hand, or in case of execution of documents under seal, to do so jointly with any of a second Director, a duly authorized representative of the Directors or the secretary of the Company as he/they shall consider necessary, appropriate, desirable or expedient pursuant to the terms of the Subscription Agreement and relating to the implementation and completion of the transactions contemplated thereunder.”

* For identification purpose only

NOTICE OF SGM

2. "THAT:

- (a) the general mandate granted to the directors (the "Directors") of the Company to exercise the powers of the Company to issue, allot and otherwise deal with shares (the "Shares") in the capital of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 3 September 2004, to the extent not already exercised, be and is hereby revoked (but without prejudice to any valid exercise of such general mandate prior to the passing of this Resolution);
- (b) subject to paragraph (d) below, the exercise by the Directors during the Relevant Period of all the powers of the Company to issue, allot and otherwise deal with additional unissued Shares and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or an convertible into shares of the Company) which might require the exercise of such power after the end of the Relevant Period;
- (d) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (b) above, otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of any rights of subscription or conversion under any existing warrants, bonds, debentures, notes and other securities issued by the Company; (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company; or (v) the exercise of the conversion rights attached to the Convertible Note (as approved by Resolution No. 1 above), shall not exceed the aggregate of:
 - (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution; and

NOTICE OF SGM

(bb) the aggregate nominal amount of share capital of the Company repurchased by the Company after the date of passing this Resolution pursuant to the general mandate to repurchase shares given by the Company to the directors from time to time (subject to a maximum number equivalent to 10 per cent. of the then existing issued share capital of the Company),

and the said approval shall be limited accordingly;

(e) for the purposes of this Resolution:

“**Relevant Period**” means the period from the passing of this Resolution until whichever is the earlier of:

- (aa) the conclusion of the next annual general meeting of the Company;
- (bb) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act of Bermuda or any other applicable laws of Bermuda to be held; and
- (cc) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares of the Company or issue of options, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the directors of the Company to holders of shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities entitled to the offer) on a fixed record date in proportion to their then holdings of such shares of the Company (or, where appropriate, such other securities), (subject in all cases to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory applicable to the Company).”

NOTICE OF SGM

3. “**THAT** the directors of the Company be and are hereby authorised to exercise the powers of the Company referred to in paragraph (b) of Resolution No. 1 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (d) of such Resolution.”

By order of the Board
PREMIUM LAND LIMITED
Dong Bo, Frederic
Director

Hong Kong, 20 January 2005

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

*Head Office and Principal Place of
Business in Hong Kong:*

Room 2906-8, 29/F.
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies, if holding two or more shares, to attend and to vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon must be deposited with the Company's branch share registrar in Hong Kong, Secretaries Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of that power of authority, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. As at the date hereof, the board of directors comprises two executive directors namely Mr. Dong Bo, Frederic and Mr. Lau Man Tak and four independent non-executive directors namely Mr. Kan Kwok Shu, Mr. Shum Ka Hei, Mr. Pang Haiou and Mr. Zuo Guang.