

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

If you have sold or transferred all your shares in New World China Land Limited (the "Company"), you should at once hand this circular with the enclosed form of proxy to the purchaser or 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 transferee.

This circular is addressed to the shareholders and the holders of share options (for information purpose only) of the Company in connection with an extraordinary general meeting of the Company to be held on Monday, 21 March 2005. This circular is not and does not constitute an offer of, nor is it intended to invite offers for, shares in or other securities of the Company.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



New World China Land Limited
新世界中國地產有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 0917)

**PROPOSED RIGHTS ISSUE OF RIGHTS SHARES OF HK\$0.10 EACH
AT HK\$2.80 PER RIGHTS SHARE, PAYABLE IN FULL ON ACCEPTANCE
(IN THE PROPORTION OF THREE RIGHTS SHARES
FOR EVERY TWO EXISTING SHARES HELD)**

AND

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Independent Financial Advisor to the Independent Board Committee

COMMERZBANK 

A letter of advice from Commerzbank to the Independent Board Committee (as defined herein) is set out on pages 21 to 35 of this circular. The letter of the Independent Board Committee is set out on page 20 of this circular.

To qualify for the Rights Issue (as defined herein), any transfer of shares of the Company must be lodged for registration with the Company's branch share registrar in Hong Kong, Standard Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, by 4:00 p.m. on Friday, 11 March 2005.

A notice convening the EGM (as defined herein) to be held at 10:00 a.m. on Monday, 21 March 2005 at Concord Room 1, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Hong Kong is set out on pages 36 to 38 of this circular. If you are not able to attend and/or vote at the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar in Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so desire.

It should be noted that the Underwriting Agreement (as defined herein) in respect of the Rights Issue contains provisions entitling the Underwriter (as defined herein), by notice in writing, to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out in the section headed "Termination of the Underwriting Agreement" on page 7 of this circular. If the Underwriter exercises such right, the obligations of the Underwriter under the Underwriting Agreement shall cease and the Rights Issue shall lapse and will not proceed.

It should also be noted that the shares of the Company will be dealt in on an ex-rights basis as from Thursday, 10 March 2005 and that dealings in the Rights Shares (as defined herein) in their nil-paid form will commence from Wednesday, 23 March 2005 to Monday, 4 April 2005 (both dates inclusive), when the conditions to which the Rights Issue subject to are unfulfilled. Any persons dealing in the shares of the Company or in the Rights Shares in their nil-paid form or until the date on which all conditions to which the Rights Issue subject to are fulfilled shall accordingly bear the risk that the Rights Issue may not become unconditional. If prior to 4:00 p.m. on Friday, 8 April 2005, the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter according to the terms thereof, the Rights Issue will not proceed.

Investors may wish to obtain professional advice regarding dealings in shares of the Company or nil-paid Rights Shares during these periods.

CONTENTS

	<i>Page</i>
Definitions	1
Summary of the Rights Issue	4
Expected timetable	5
Responsibility Statement	6
Termination of the Underwriting Agreement	7
Letter from the Board	8
Letter from the Independent Board Committee	20
Letter from Commerzbank	21
Notice of extraordinary general meeting	36
Explanatory statement for the repurchase mandate	39

DEFINITIONS

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

“Announcement”	the joint announcement of the Company and NWD dated 18 February 2005 relating to, among other things, the Rights Issue and the general mandates to issue and repurchase Shares
“associate(s)”	having the same meaning as defined in Chapter 1 of the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which commercial banks are open for business in Hong Kong
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“Commerzbank”	Commerzbank AG, acting through its Hong Kong branch, an authorised institution registered with the Hong Kong Monetary Authority and a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to conduct types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities and the independent financial advisor to the Independent Board Committee in relation to the Rights Issue
“Company”	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Companies Law”	the Companies Law, Cap 22 (Law 3 of the 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of considering, among other things, the Rights Issue
“Excluded Rights Shares”	not less than 1,522,579,638 Rights Shares that NWD is entitled and has undertaken to subscribe for pursuant to the terms of the Rights Issue in its capacity as a Qualifying Shareholder
“Excluded Shareholders”	Shareholders whose names appear on the register of members of the Company and whose addresses as shown on such register are outside Hong Kong as at the close of business on the Record Date, and to whom the Directors, based on the legal advices given by the legal counsels of the relevant jurisdictions, consider it necessary or expedient not to offer any Rights Shares
“Group”	the Company and its subsidiaries from time to time

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board, comprising Messrs. Cheng Wai-chee, Christopher and Tien Pei-chun, James, which was formed to advise the Independent Shareholders in relation to the Rights Issue. As Mr. Lee Luen-wai, John is the independent non-executive director of both the Company and NWD, he is not a member of the Independent Board Committee
“Independent Shareholders”	Shareholders other than NWD, its associates and parties acting in concert with them
“Latest Acceptance Date”	being 4:00 p.m. on Friday, 8 April 2005, the latest date upon which provisional allotments of Rights Shares in nil-paid form may be validly accepted
“Latest Practicable Date”	1 March 2005, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NWD” or “Underwriter”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange and which is the controlling shareholder (as defined under the Listing Rules) of the Company
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Monday, 21 March 2005
“Rights Issue”	the proposed issue of Rights Shares on the basis of three Rights Shares for every two existing Shares to Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at a price of HK\$2.80 per Rights Share, pursuant to the terms and conditions of the rights issue
“Rights Issue Documents”	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares

DEFINITIONS

“Rights Share(s)”	not less than 2,253,426,138 new Share(s) and not more than 2,295,347,178 new Shares to be issued by the Company pursuant to the Rights Issue
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Share Options”	outstanding option(s) to subscribe for an aggregate of 30,174,800 Shares granted by the Company under the share option schemes of the Company as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price of HK\$2.80 per Rights Share
“Subscription Monies”	the subscription monies which will be payable by NWD to the Company in respect of the Rights Shares to be issued to NWD, including the Rights Shares which will be issued in the event that NWD is required to fulfil its obligation under the Underwriting Agreement
“subsidiary” or “holding company”	has the meaning as defined in section 2 of the Companies Ordinance
“Underwriting Agreement”	the underwriting agreement dated 18 February 2005 entered into between the Company and NWD in relation to the Rights Issue
“Vested Share Options”	the Share Options that are validly vested to and exercisable by the holders thereof pursuant to the terms of the share option schemes of the Company as at the Record Date
“%”	per cent.

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this circular:

Basis of the Rights Issue:	three Rights Shares for every two existing Shares held by Qualifying Shareholders on the Record Date
Number of Shares in issue:	1,502,864,094 Shares as at the Latest Practicable Date
Share Options granted:	outstanding Share Options to subscribe for an aggregate of 30,174,800 Shares out of which Vested Share Options entitling the holders thereof to subscribe for a total of 27,367,360 Shares as at the Record Date
Number of Rights Shares to be issued:	not less than 2,253,426,138 Rights Shares and not more than 2,295,347,178 Rights Shares
Subscription Price and acceptance date:	HK\$2.80 per Rights Share, payable in full upon valid acceptance by 4:00 p.m., on Friday, 8 April 2005
Excess Rights Share application:	Qualifying Shareholders will have the right to apply for Rights Shares in excess of their provisional allotments
Amount to be raised by the Rights Issue:	approximately HK\$6,309.59 million (assuming no Share are issued and allotted to holders of Share Options on or before the Record Date upon the exercise of the Vested Share Options) or approximately HK\$6,426.97 million (assuming Shares are issued and allotted to holders of Share Options on or before the Record Date upon the full exercise of all Vested Share Options) before expenses
Status of Rights Shares:	when fully-paid, issued and allotted, the Rights Shares will rank pari passu in all respects with the Shares then in issue and holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of issue and allotment of the fully-paid Right Shares
Undertaking of NWD:	NWD has irrevocably undertaken to take up its entitlements under the Rights Issue in full
Excluded Shareholders:	the Company will make arrangements for the Rights Shares which would otherwise have been provisionally allotted to Excluded Shareholders (if any) in nil-paid form as soon as practicable after dealings in nil-paid Rights Shares commence, if a premium, net of expenses, can be obtained. The proceeds of each sale (after deducting the expense of sale, if any) of HK\$100 or more will be paid to the Excluded Shareholder in Hong Kong dollars pro-rata to their respective shareholdings. The Company will retain individual amounts of less than HK\$100 for its own benefit. Any such entitlements not sold in the market will be available for application by Qualifying Shareholders

EXPECTED TIMETABLE

Last day of dealings in Shares on a cum-rights basis.	4:00 p.m., Wednesday, 9 March 2005
First day of dealings in Shares on an ex-rights basis.	Thursday, 10 March 2005
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:00 p.m., Friday, 11 March 2005
Register of members of the Company closed.	Monday, 14 March 2005 to Monday, 21 March 2005 (both dates inclusive)
Latest time for lodging forms of proxy for the EGM.	10:00 a.m., Saturday, 19 March 2005
EGM	10:00 a.m., Monday, 21 March 2005
Record Date	Monday, 21 March 2005
Despatch of Rights Issue Documents	Monday, 21 March 2005
Announcement of results of EGM.	Tuesday, 22 March 2005
Register of members re-opens	Tuesday, 22 March 2005
First day of dealings in nil-paid Rights Shares.	Wednesday, 23 March 2005
Latest time for splitting of nil-paid Rights Shares.	4:00 p.m., Wednesday, 30 March 2005
Last day of dealings in nil-paid Rights Shares.	Monday, 4 April 2005
Latest time for payment and acceptance of Rights Issue.	4:00 p.m., Friday, 8 April 2005
Latest time for the Rights Shares to become unconditional	4:00 p.m., Friday, 8 April 2005
Announcement of results of acceptance of and excess applications for the Rights Issue appears on newspapers	Wednesday, 13 April 2005
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before.	Thursday, 14 April 2005
Despatch of certificates for fully-paid Rights Shares on or before.	Thursday, 14 April 2005
Commencement of dealings in fully-paid Rights Shares	9:30 a.m., Monday, 18 April 2005

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained herein, the omission of which would make any statement herein misleading.

TERMINATION OF THE UNDERWRITING AGREEMENT

It should be noted that the Underwriting Agreement contains provisions granting NWD, by notice in writing, the ability to terminate its obligations thereunder on the occurrence of certain events.

NWD may terminate its commitment under the Underwriting Agreement on or before the Latest Acceptance Date if:

- (a) the Company is in material breach of any of the warranties as set out in the Underwriting Agreement which cannot be rectified or resolved to the reasonable satisfaction of NWD within a period of seven days from NWD giving notice of such breach to the Company, provided that such rectification period cannot be extended past the Latest Acceptance Date;
- (b) any of the conditions to which the obligations of NWD under the Underwriting Agreement are subject to are not fulfilled or become incapable of being fulfilled; or
- (c) there shall have occurred any change in national or international, political, military, diplomatic, financial or economic conditions which in the reasonable opinion of NWD, is or is likely to be materially prejudicial to the business or financial condition of the Group or the Rights Issue.

If the Underwriting Agreement is terminated by NWD on or before the aforesaid deadline or does not become unconditional, the Rights Issue will not proceed.



New World China Land Limited

新世界中國地產有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 0917)

Executive Directors:

Dr. Cheng Kar-shun, Henry *GBS*
(Chairman and Managing Director)
Mr. Doo Wai-hoi, William *JP* (Vice Chairman)
Mr. Cheng Kar-shing, Peter
Mr. Leung Chi-kin, Stewart
Mr. Chow Kwai-cheung
Mr. Chow Yu-chun, Alexander
Mr. Fong Shing-kwong, Michael

Non-executive Director:

Mr. Fu Sze-shing

Independent non-executive Directors:

Mr. Cheng Wai-chee, Christopher
Mr. Tien Pei-chun, James
Mr. Lee Luen-wai, John *JP*

Registered office:

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal place of business in Hong Kong:

9th Floor, New World Tower 1
18 Queen's Road Central
Hong Kong

4 March 2005

*To the Shareholders (as for Share Options holders,
for information only)*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE OF RIGHTS SHARES OF HK\$0.10 EACH
AT HK\$2.80 PER RIGHTS SHARE, PAYABLE IN FULL ON ACCEPTANCE
(IN THE PROPORTION OF THREE RIGHTS SHARES
FOR EVERY TWO EXISTING SHARES HELD)**

AND

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

INTRODUCTION

On 18 February 2005, the Board announced that the Company proposed to raise approximately HK\$6,309.59 million (assuming no Shares are issued and allotted to holders of Share Options on or before the Record Date pursuant to the exercise of the Vested Share Options) or approximately HK\$6,426.97 million (assuming Shares are issued and allotted to holders of Share Options on or

LETTER FROM THE BOARD

before the Record date pursuant to the full exercise of all Vested Share Options) before expenses by way of the Rights Issue at the Subscription Price of HK\$2.80 per Rights Share on the basis of three Rights Shares for every two existing Shares held on the Record Date.

The Independent Shareholders will be advised by the Independent Board Committee regarding the Rights Issue. Commerzbank has been appointed by the Company to advise the Independent Board Committee on whether the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned.

The purpose of this circular is to provide you with details on, among other things, the Rights Issue, the recommendation of the Independent Board Committee and the advice of Commerzbank in respect of the Rights Issue, and to give notice of the EGM thereof.

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	three Rights Shares for every two existing Shares held by the Qualifying Shareholder on the Record Date
Number of existing Shares in issue:	1,502,864,094 Shares as at the Latest Practicable Date
Vested Share Options granted:	Vested Share Options entitling the holders thereof to subscribe for 27,367,360 Shares as at the Record Date
Number of Rights Shares to be issued:	not less than 2,253,426,138 Rights Shares and not more than 2,295,347,178 Rights Shares at the Subscription Price of HK\$2.80 per Rights Share

The nil-paid Rights Shares proposed to be provisionally allotted represent 150% of the Company's issued share capital and approximately 60% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional Shares which may be issued and allotted on or before the Record Date upon the exercise of the subscription rights under the Vested Share Options. As at the Latest Practicable Date, the Vested Share Options entitling the holders thereof to subscribe for an aggregate of 27,367,360 Shares as at the Record Date. The Directors hold Vested Share Options with the rights to subscribe for an aggregate of 12,800,000 Shares.

If all the subscription rights attaching to the Vested Share Options are duly exercised and Shares are issued and allotted pursuant to such exercise on or before the Record Date, the number of Shares in issue will be increased to 1,530,231,454 and the number of Rights Shares may be issued pursuant to the Rights Issue will be increased to 2,295,347,178 Rights Shares accordingly.

LETTER FROM THE BOARD

Qualifying Shareholders

To qualify for the Rights Issue, the Shareholders must be registered as a member of the Company at the close of business on the Record Date. In order to do so, the Shareholders must lodge any transfers of Shares (with the relevant Share certificate(s)) with the Company's branch share registrar in Hong Kong not later than 4:00 p.m. on Friday, 11 March 2005. The last day of dealings in Shares on a cum-rights basis is therefore expected to be Wednesday, 9 March 2005. The Shares will be dealt with on an ex-rights basis from Thursday, 10 March 2005.

The Company retains the right, however, in its discretion to vary the requirements set forth above to avoid any offer of Rights Shares to Shareholders (without compliance with registration or other legal requirements) outside Hong Kong.

The Company's branch share registrar in Hong Kong is:

Standard Registrars Limited
G/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

The Company will send the Rights Issue Documents to Qualifying Shareholders only. To qualify for the Rights Issue, the Shareholder must:

- be registered as a member of the Company at the close of business on the Record Date; and
- have an address appeared on the register of members of the Company at the close of business on the Record Date which is in Hong Kong or if outside Hong Kong, is in a jurisdiction of which the Directors, based on the legal advices given by the legal counsel of the relevant jurisdiction, do not consider it necessary or expedient to exclude the offer of the Rights Shares to such Shareholder.

In determining who will be the Excluded Shareholders and in compliance with the relevant Listing Rules, the Company will make necessary enquiries regarding the legal restrictions (if any) under the laws of the relevant jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges for the offer of the Rights Shares to Shareholders whose addresses appear on the register of the Company at the close of business on the Record Date are in any jurisdictions outside Hong Kong. Further announcement in respect of the Excluded Shareholders will be made by the Company on or before the posting of the Rights Issue Documents, which is expected to be on Monday, 21 March 2005.

Closure of register of members

It is intended that the Company's register of members will be closed from Monday, 14 March 2005 to Monday, 21 March 2005, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

LETTER FROM THE BOARD

Rights of Excluded Shareholders

The Rights Issue Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. The Company will send the Prospectus (without the provisional allotment letters and forms of application for excess Rights Shares) to the Excluded Shareholders (if any) for their information only.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to Excluded Shareholders (if any) in nil-paid form, to be sold as soon as practicable after dealings in nil-paid Rights Shares commence, if a premium, net of expenses, can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to the Excluded Shareholders (if any) in Hong Kong dollars pro-rata to their respective shareholdings. The Company will keep individual amounts of less than HK\$100 for its own benefit.

Subscription Price

The Subscription Price for the Rights Shares is HK\$2.80 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares. This, as stated in the Announcement dated 18 February 2005, represents:

- a discount of approximately 30.0% to the closing price of HK\$4.00 per Share as quoted on the Stock Exchange on Thursday, 17 February 2005, being the last trading day prior to the suspension of trading of Shares pending the publication of the Announcement;
- a discount of approximately 14.6% to the theoretical ex-rights price of HK\$3.28 per Share based on the closing price as quoted on the Stock Exchange on Thursday, 17 February 2005, being the last trading day prior to the suspension of trading of Shares pending the publication of the Announcement; and
- a discount of approximately 74.5% to the audited consolidated net tangible asset value of approximately HK\$10.99 per Share as at Wednesday, 30 June 2004.

With reference to the Latest Practicable Date, the Subscription Price represents:

- a discount of approximately 17.6% to the closing price of HK\$3.40 per Share as quoted on the Stock Exchange on Tuesday, 1 March 2005, being the Latest Practicable Date;
- a discount of approximately 21.1% to the average closing price of HK\$3.55 per Share for the 10 consecutive trading days up to and including Tuesday, 1 March 2005, being the Latest Practicable Date; and
- a discount of approximately 7.9% to the theoretical ex-rights price of HK\$3.04 per Share based on the closing price as quoted on the Stock Exchange on Tuesday, 1 March 2005, being the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and NWD with reference to the market price of the Shares under prevailing market conditions and each Shareholder is entitled to subscribe for the Right Shares at the same price in proportion to his or her existing shareholding in the Company. The Directors consider the Subscription Price to be fair and reasonable and to be in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders (if any), unsold Rights Shares created by adding together fractions of the Rights Shares and any nil-paid Rights Share provisionally allotted but not accepted.

Applications may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis, but will give preference to topping-up odd lots to whole board lots of Shares.

Fractional entitlements

Fractional entitlements for the nil-paid Rights Shares will not be issued but will be aggregated and sold, if a premium (net of expenses) can be obtained, for the benefit of the Company.

Status of the Rights Shares

The Rights Shares, when allotted and fully-paid, will rank *pari passu* with the then existing Shares in issue in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares.

Share certificates for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares by Thursday, 14 April 2005 at their own risk.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

- (a) the Company despatching this circular to the Shareholders containing, among other things, details of the Rights Issue together with proxy form and notice of the EGM;
- (b) the passing by the Independent Shareholders at the EGM of ordinary resolution to approve the Rights Issue (including, but not limited to, the exclusion of the offer of the Rights Issue to the Excluded Shareholders);
- (c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms), subject only to the allotment and despatch of the appropriate documents of title;
- (d) the filing and registration of all documents relating to the Rights Issue, which are required by law to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance and otherwise complying with the requirements of the Companies Law;
- (e) the posting of the Rights Issue Documents to Qualifying Shareholders; and

LETTER FROM THE BOARD

- (f) the obligations of NWD under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of that agreement.

The above conditions of the Rights Issue cannot be waived by the Company and/or NWD under the terms of the Underwriting Agreement. If any of the conditions of the Rights Issue are not fulfilled on or before the Latest Acceptance Date (or such later time and/or date as the Company and NWD may determine), neither the Company nor NWD shall have any rights or be subject to any obligations arising from the Underwriting Agreement to accept their entitlement under the Rights Issue and the Rights Issue will lapse.

Reasons for the Rights Issue and the use of proceeds

The principal activities of the Group are property development, property investment and property related businesses in the PRC.

Upon the full subscription of the Rights Shares, the Company will receive approximately HK\$6,285.13 million (assuming no Shares are issued and allotted to holders of Share Options on or before the Record Date pursuant to the exercise of the Vested Share Options) or HK\$6,401.33 million (assuming Shares are issued and allotted to holders of Share Options on or before the Record Date pursuant to the full exercise of all Vested Share Options) by way of subscription proceeds net of expenses.

The Directors intend to use the net proceeds of the Rights Issue as follows:

- (a) approximately HK\$3.3 billion to reduce the Group's debts;
- (b) approximately HK\$2.5 billion to settle the outstanding resettlement costs; and
- (c) the remaining balance to fund the development costs of the Group's property projects and as general working capital for future development of the Group.

The Directors consider that the Rights Issue provides a good opportunity for the Company to strengthen its capital base and financial position so as to reduce the Group's debt and to fund the Group's future property projects. The Directors also consider that it is in the best interest of the Company and the Shareholders to raise further capital to meet the Company's funding requirements for the above-mentioned purposes by way of the Rights Issue, which will allow all Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company.

The Company had not conducted any fund raising exercises for the past 12 months prior to the date of this circular.

LETTER FROM THE BOARD

UNDERWRITING ARRANGEMENTS FOR THE RIGHTS ISSUE

Underwriting Agreement

Date: 18 February 2005

Underwriter: New World Development Company Limited, a controlling shareholder of the Company, which together with its subsidiaries, are interested in 1,054,107,600 Shares, representing approximately 70.14% of the existing issued share capital of the Company as at the Latest Practicable Date

Number of Shares underwritten: Not less than 730,846,500 Rights Shares (assuming that no Shares are issued and allotted to holders of Share Options on or before the Record Date pursuant to the exercise of the Vested Share Options) and not more than 772,767,540 Rights Shares (assuming that Shares are issued and allotted to holders of Share Options on or before the Record Date pursuant to the full exercise of all Vested Share Options) (*Note*)

Commission: 1% of the total issue price of the Rights Shares underwritten by NWD

The maximum commission to be received by the Underwriter will be approximately HK\$21.6 million

Note: These figures exclude 1,522,579,638 Rights Shares provisionally allotted to NWD in respect of its beneficial shareholding of the Company which it has undertaken to subscribe for in full.

The entering into of the Underwriting Agreement by the Company with NWD constitutes a connected transaction of the Company under the Listing Rules but is exempted from the reporting, announcement and independent Shareholders' requirements pursuant to Rule 14A.31(3)(c) of the Listing Rules.

Pursuant to the terms of the Underwriting Agreement, the Company and NWD agreed that if the conditions of the Rights Issue are fulfilled on or before the Latest Acceptance Date (or such later time and/or date as the Company and NWD may determine) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, NWD shall pay the Subscription Monies net of the commission entitled by NWD, being 1% of the total issue price of the Rights Shares underwritten by NWD, on the date to be agreed by the Company and NWD, but in the absence of such agreed date, not later than 4:30 p.m. on the third Business Day following the Latest Acceptance Date, in cash.

Irrevocable undertaking from NWD

Pursuant to the Underwriting Agreement, NWD has irrevocably undertaken to apply for, take up and pay for its provisional entitlements to the Excluded Rights Shares.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting NWD, by notice in writing, the ability to terminate its obligations thereunder on the occurrence of certain events. NWD may terminate its commitment under the Underwriting Agreement on or before the Latest Acceptance Date if:

- (a) the Company is in material breach of any of the warranties as set out in the Underwriting Agreement which cannot be rectified or resolved to the reasonable satisfaction of NWD within a period of seven days from NWD giving notice of such breach to the Company, provided that such rectification period cannot be extended beyond the Latest Acceptance Date;
- (b) any of the conditions to which the obligations of NWD under the Underwriting Agreement are subject to are not fulfilled or become incapable of being fulfilled; or
- (c) there shall have occurred any change in national or international, political, military, diplomatic, financial or economic conditions which in the reasonable opinion of NWD, is or is likely to be materially prejudicial to the business or financial condition of the Group or the Rights Issue.

If the Underwriting Agreement is terminated by NWD on or before the aforesaid deadline or does not become unconditional, the Rights Issue will not proceed.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Tables below set forth the changes in shareholding structure of the Company after the Rights Issue:

Scenario One

Assuming no Shares are issued and allotted to holders of Share Options on or before the Record Date pursuant to the exercise of the Vested Share Options:

	As at the Latest Practicable Date		Immediately after the Rights Issue and if all Shareholders take up their respective provisional allotments of the Rights Shares in full		Immediately after the Rights Issue and if NWD is required to take up all Rights Shares pursuant to the Underwriting Agreement	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
NWD	1,015,053,093	67.54	2,537,632,731	67.54	3,269,349,231	87.02
Subsidiaries of NWD	39,054,507	2.60	97,636,266	2.60	39,054,507	1.04
Directors	<u>8,086,926</u>	<u>0.54</u>	<u>20,217,315</u>	<u>0.54</u>	<u>8,086,926</u>	<u>0.22</u>
Sub-total of NWD and its associates	1,062,194,526	70.68	2,655,486,312	70.68	3,316,490,664	88.28
Public	<u>440,669,568</u>	<u>29.32</u>	<u>1,101,673,920</u>	<u>29.32</u>	<u>440,669,568</u>	<u>11.72</u>
Total	<u>1,502,864,094</u>	<u>100.00</u>	<u>3,757,160,232</u>	<u>100.00</u>	<u>3,757,160,232</u>	<u>100.00</u>

Scenario Two

Assuming Shares are issued and allotted to holders of Share Options on or before the Record Date pursuant to the full exercise of all Vested Share Options:

	As at the Latest Practicable Date		Immediately after the Rights Issue and if all Shareholders take up their respective provisional allotments of the Rights Shares in full		Immediately after the Rights Issue and if NWD is required to take up all Rights Shares pursuant to the Underwriting Agreement	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
NWD	1,015,053,093	66.33	2,537,632,731	66.33	3,310,400,271	86.53
Subsidiaries of NWD	39,054,507	2.55	97,636,266	2.55	39,054,507	1.02
Directors	<u>20,886,926</u>	<u>1.36</u>	<u>52,217,315</u>	<u>1.36</u>	<u>20,886,926</u>	<u>0.55</u>
Sub-total of NWD and its associates	1,074,994,526	70.24	2,687,486,312	70.24	3,370,341,704	88.10
Public	<u>455,236,928</u>	<u>29.76</u>	<u>1,138,092,320</u>	<u>29.76</u>	<u>455,236,928</u>	<u>11.90</u>
Total	<u>1,530,231,454</u>	<u>100.00</u>	<u>3,825,578,632</u>	<u>100.00</u>	<u>3,825,578,632</u>	<u>100.00</u>

LETTER FROM THE BOARD

MAINTAINING THE LISTING OF THE COMPANY

It is the intention of NWD to maintain the listing of the Company after the Rights Issue. Accordingly, NWD and its directors have jointly and severally undertaken to the Stock Exchange that if necessary, the Company and NWD will take appropriate steps, including, but not limited to, placing down NWD's shareholdings in the Company as soon as practicable after completion of the Rights Issue or within such period or time the Stock Exchange may agree to ensure compliance with the minimum public float requirement under Rule 8.08 of the Listing Rules. The Stock Exchange has stated that it will closely monitor the trading of the Shares if less than 25% of Shares are held by the public (as defined in the Listing Rules). If the Stock Exchange believes that: (i) a false market exists or may exist in the Shares; or (ii) there are too few Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares on the Stock Exchange.

WARNING OF THE RISK OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from Thursday, 10 March 2005. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 23 March 2005 to Monday, 4 April 2005 (both dates inclusive). If prior to the Latest Acceptance Date (or such later time and/or date as the Company and NWD may determine), the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by NWD, the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares from the date of this circular up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Wednesday, 23 March 2005 and Monday, 4 April 2005 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealings in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisors.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

The Directors proposed to seek the approval of the Shareholders at the EGM for the grant of general mandates to the Directors to issue Shares and repurchase Shares not exceeding 20% and 10% respectively of the issued share capital of the Company as enlarged by the Rights Issue at the EGM.

Please also refer to the section headed "An explanatory statement for the repurchase mandate" in this circular which sets out the information required under Rule 10.06(1) of the Listing Rules relating to the ordinary resolution of granting the general mandate to the Directors to repurchase Shares proposed to be passed at the EGM.

LISTING AND DEALINGS

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. It is expected that dealings in the Rights Shares in their nil-paid form will take place from Wednesday, 23 March 2005 to Monday, 4 April 2005, both days inclusive.

No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

LETTER FROM THE BOARD

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the nil-paid and fully-paid Rights Shares will be subject to payment of stamp duty in Hong Kong.

ADJUSTMENTS IN RELATION TO THE SHARE OPTIONS

As at the Latest Practicable Date, the Company had granted Share Options entitling the holders thereof to subscribe for an aggregate of 30,174,800 Shares at the subscription price per Share as specified in each of the grant of Share Options during the exercise period (subject to adjustments), out of which the holders thereof are entitled to subscribe for an aggregate of 27,367,360 Shares as at the Record Date. The issuance of the Rights Shares will cause an adjustment to each of the subscription price and the number of Shares to be issued pursuant to the exercise of the Share Options. Further announcement will be issued by the Company in relation to the aforesaid adjustments.

TAXATION

Qualifying Shareholders are recommended to consult their professional advisors if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares and, as regards the Excluded Shareholders (if any), their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

EGM

There is set out on pages 36 to 38 of this circular a notice convening the EGM to be held at 10:00 a.m. on Monday, 21 March 2005 at Concord Room 1, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Hong Kong, at which resolutions will be proposed to consider and, if thought fit, approve by the Shareholders:

1. the Rights Issue;
2. the general mandate to issue Shares; and
3. the general mandate to repurchase Shares.

NWD, its associates and parties acting in concert with them will be abstained from voting on the resolution numbered 1 as set out in the notice of the EGM to approve the Rights Issue and such resolution will be taken on poll pursuant to the Listing Rules.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed. If you are not able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Standard Registrars 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 EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

PROCEDURES TO DEMAND A POLL

Pursuant to article 80 of the Company's articles of association, a poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least five Shareholders present in person or by proxy and entitled to vote; or
- (c) any Shareholder or Shareholders present in person or by proxy and representing in the aggregate of not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or
- (d) any Shareholder or Shareholders present in person or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out in this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Rights Issue.

Your attention is also drawn to the letter from Commerzbank, for incorporation into the circular, which contains its advice to the Independent Board Committee as regards the Rights Issue and the principal factors and reasons considered by it in arriving thereat.

The Independent Board Committee has considered the terms of the Rights Issue and the advice given by Commerzbank and recommends the Independent Shareholders to vote in favour of the ordinary resolution numbered 1 to be proposed at the EGM in relation to the Rights Issue.

The executive Directors and non-executive Directors consider the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors consider the proposed resolutions for the granting of the general mandates to the Directors to issue and repurchase Shares are in the interests of the Company. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions numbered 2 to 4 to be proposed at the EGM.

Yours faithfully
for and on behalf of
New World China Land Limited
Dr. Cheng Kar-shun, Henry
Chairman and Managing Director



New World China Land Limited

新世界中國地產有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 0917)

4 March 2005

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE OF RIGHTS SHARES OF HK\$0.10 EACH
AT HK\$2.80 PER RIGHTS SHARE, PAYABLE IN FULL ON ACCEPTANCE
(IN THE PROPORTION OF THREE RIGHTS SHARES
FOR EVERY TWO EXISTING SHARES HELD)**

We refer to the letter from the Board set out in the circular dated 4 March 2005 (the “Circular”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the Rights Issue and to advise the Independent Shareholders as to the fairness and reasonableness of the Rights Issue and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the EGM to approve the Rights Issue. Commerzbank has been appointed to advise the Independent Board Committee in relation to the terms of the Rights Issue.

RECOMMENDATION

We wish to draw your attention to the letter from the Board and the letter from Commerzbank to the Independent Board Committee which contains its advice to us in relation to the Rights Issue as set out in the Circular.

Having taken into account principal factors and reasons considered by and the opinion of Commerzbank as stated in its letter of advice, we consider the terms of the Rights Issue to be fair and reasonable so far as the interests of the Independent Shareholders are concerned and to be in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution approving the Rights Issue to be proposed at the EGM.

Yours faithfully

Independent Board Committee

Cheng Wai-chee, Christopher and Tien Pei-chun, James

LETTER FROM COMMERZBANK

The following is the text of the letter of advice to the Independent Board Committee from Commerzbank dated 4 March 2005, prepared for incorporation in this circular.

德 國 商 業 銀 行

COMMERZBANK 

(Public Limited Company Incorporated in the Federal Republic of Germany)

HONG KONG BRANCH

G.P.O. BOX 11378
HONG KONG

21/F, The Hong Kong Club Building
3A Chater Road, Central

telephone 28429666
telex 66 400 cbk hk hx
fax 28681414
swift COBAHK HX XXX

4 March 2005

To the Independent Board Committee and the Independent Shareholders

Dear Sirs

**PROPOSED RIGHTS ISSUE OF RIGHTS SHARES OF HK\$0.10 EACH
AT HK\$2.80 PER RIGHTS SHARE, PAYABLE IN FULL ON ACCEPTANCE
(IN THE PROPORTION OF THREE RIGHTS SHARES
FOR EVERY TWO EXISTING SHARES HELD)**

INTRODUCTION

We refer to our appointment as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the definitions of which, amongst other things, are set out in the circular dated 4 March 2005 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

On 18 February 2005, the Board announced that the Company proposed to raise approximately HK\$6,309.59 million (assuming no Shares are issued and allotted to holders of Share Options on or before the Record Date pursuant to the exercise of the Vested Share Options) or approximately HK\$6,426.97 million (assuming Shares are issued and allotted to holders of Share Options on or before the Record Date pursuant to the full exercise of all Vested Share Options) before expenses by issuing not less than 2,253,426,138 Rights Shares and not more than 2,295,347,178 Rights Shares at the Subscription Price of HK\$2.80 per Rights Share on the basis of three Rights Shares for every two existing Shares held on the Record Date.

Our role as the independent financial advisor to the Independent Board Committee and the Independent Shareholders is to give our opinion as to whether the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned.

In formulating our opinion, we have relied on the information and facts supplied to us by the Company. We have assumed that all information, opinions and representations given by the Company contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the Directors after due enquiries and careful consideration, and to the best of their knowledge and belief, there is no other fact or representation, the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information and statements and representations made or referred to in the Circular, which have been

LETTER FROM COMMERZBANK

provided to us by the Company, and for which it is wholly responsible, are true, complete and accurate in all material respects at the time they were made and continue to be so at the date of despatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view regarding the terms of the Rights Issue, to provide us with a reasonable basis for our opinion. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company, nor have we conducted any independent in-depth investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the reasonableness of the terms of the Rights Issue and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Reasons for and benefits of the Rights Issue

1.1 *Principal terms of the Rights Issue*

It is proposed that Qualifying Shareholders be provisionally allotted with Rights Shares in the proportion of three Rights Shares for every two existing Shares held on Record Date at the Subscription Price. The Rights Shares, when allotted and fully-paid, will rank *pari passu* with the then existing Shares in issue in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares.

The nil-paid Rights Shares proposed to be provisionally allotted represent 150% of the Company's issued share capital and approximately 60% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

The Rights Issue is conditional upon the following conditions being fulfilled:

- (a) the Company despatching the Circular to the Shareholders containing, among other things, details of the Rights Issue together with proxy form and notice of the EGM;
- (b) the passing by the Independent Shareholders at the EGM of ordinary resolution to approve the Rights Issue (including, but not limited to, the exclusion of the offer of the Rights Issue to the Excluded Shareholders);
- (c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms), subject only to the allotment and despatch of the appropriate documents of title;

- (d) the filing and registration of all documents relating to the Rights Issue, which are required by law to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance and otherwise complying with the requirements of the Companies Law;
- (e) the posting of the Rights Issue Documents to Qualifying Shareholders; and
- (f) the obligations of NWD under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of that agreement.

The above conditions of the Rights Issue cannot be waived by the Company and/or NWD under the terms of the Underwriting Agreement. If any of the conditions of the Rights Issue are not fulfilled on or before the Latest Acceptance Date (or such later time and/or date as the Company and NWD may determine), neither the Company nor NWD shall have any rights or be subject to any obligations arising from the Underwriting Agreement to accept their entitlement under the Rights Issue and the Rights Issue will lapse.

1.2 Background of the Company

The principal activities of the Company are property development and property related investment in the PRC including, but not limited to, property sales, rental and hotel operations in the PRC. The Company is a national real estate developer in the PRC and currently has land bank of approximately 15 million square meters (“**sq.m.**”) spanning over 17 cities. We note from the Company’s latest annual report that approximately 80% of its land bank is located in Guangzhou, Beijing, Shenyang and Wuhan. Amongst all land bank, the proposed usage of land bank comprised of approximately 80% residential, 12% commercial, 7% office and 1% for hotel development. The Directors believe that urbanisation and the increase in disposable income per capita in the PRC will continue to drive the demand for residential housing in the PRC.

The Group has completed 15 projects with a total gross floor area (“**GFA**”) of 997,283 sq.m. in the financial year ended 30 June 2004, representing a 39% increase from 2003. The overall sales volume of properties of the Group has increased approximately 62% over the same period of previous year. We note that the Group plans to complete 16 projects to provide a total GFA of approximately 707,205 sq.m. for the financial year 2005, and together with the remaining inventory of approximately 600,000 sq.m., it is expected that the Group will have an aggregate GFA of approximately 1.3 million sq.m. of properties for sale for the financial year 2005. We understand from the Directors that amongst all properties planned for sale in 2005, the majority of the properties are located in Guangzhou and Beijing, which account for approximately 30% and 22% of the Group’s total GFA available for sale in 2005, respectively.

LETTER FROM COMMERZBANK

1.3 Financial performance of the Group

The following table sets out some of the key financial information of the Group for the last two financial years ended 30 June 2004 which are extracted from the Company's annual reports:

	For the year ended 30 June	
	2004	2003
	HK\$ million	HK\$ million (Restated)
Turnover	2,522	546
Operating profit/ (loss) before financing	153	(1,245)
Profit/(loss) attributable to shareholders	127	(1,706)
Current assets	5,753	4,748
Current liabilities	4,115	3,814
Total borrowings	5,770	6,452
Shareholders' fund	16,369	16,003
Current ratio	1.40 times	1.24 times
Gearing ratio (total borrowing/Shareholders' fund)	35.2%	40.3%

The Group recorded a profit of approximately HK\$127 million in the year ended 30 June 2004 and a loss of approximately HK\$1,706 million in the year ended 30 June 2003. Turnover of the Group reached approximately HK\$2,522 million in the year ended 30 June 2004, an increase of over 362% compared to the same period of the previous year. The significant improvement in the profits was attributable to the improved results in three major business operations of the Group, namely property sales, rental and hotel operations.

Improvement in property sales in the year ended 30 June 2004 was mainly attributable to the increase in property units completed and units sold. During the year ended 30 June 2004, the Group completed a total GFA of 997,283 sq.m., an increase of more than 39% over the same period of previous year. The increased number of property units leased out and increased rental rates upon renewal of leases accounted for the increase in operating profits from rental operations. The profits generated from the Group's hotel operations had also been improved due to the increased occupancy rate of the hotel sector in the PRC as a result of the recovery from the outbreak of the Severe Acute Respiratory Syndrome occurred in early 2003.

The Group had a current ratio of 1.40 times, with current assets of approximately HK\$5,753 million and current liabilities of approximately HK\$4,115 million as at 30 June 2004, as compared to a current ratio of 1.24 times as at 30 June 2003. The increase in current ratio was mainly due to the increase in completed properties held for sale as a result of the increase in projects completed in the year ended 30 June 2004. The Group's gearing ratio (total borrowings divided by Shareholders' fund) as at 30 June 2004 was 35.2% as compared to 40.3% as at 30 June 2003, with total borrowings of approximately HK\$5,770 million and Shareholders' fund of approximately HK\$16,369 million. The decrease in gearing ratio was mainly due to repayment of project loans during the year ended 30 June 2004 following completion of certain projects.

1.4 *Reasons for the Rights Issue and the use of proceeds*

As set out in the letter from the Board, as contained in the Circular (the “**Letter from the Board**”), the proceeds from the Rights Issue is intended to be used as follows: (i) approximately HK\$3.3 billion to reduce the Group’s debts, (ii) approximately HK\$2.5 billion to settle the outstanding resettlement costs associated with the property development projects; and (iii) the remaining balance of approximately HK\$0.5 billion to fund the development cost of the Group’s property projects and as general working capital for the Group’s future development.

(a) *Debt reduction*

As set out in the Letter from the Board, approximately HK\$3.3 billion will be used as debt reduction. We have discussed with the Directors and understand that as at 31 December 2004, approximately HK\$2.9 billion bank loans will be matured within the next 12 months. We understand that the Company has commenced discussions with banks and financial institutions in the PRC for the extension or renewal of the existing bank loans since the second half of 2004. In view of the austerity measures announced by the PRC Government in mid 2004, the China Banking Regulatory Commission (“**CBRC**”) announced credit tightening measures in certain industries, in which the real estate industry is amongst one of them.

We have discussed with the Directors and have reviewed various guidelines and notices issued by the CBRC in connection with the real estate industry in the PRC. In particular, we note the following laws and regulations:

(i) Bank lending to real estate developers

An increase in the minimum equity from 25% to 35% required for real estate developers before being eligible to apply for bank loans. This policy reiterated that real estate developers must have the requisite capital to finance the property project prior to applying for a bank loan, thereby increasing the capital commitment of the Group in each property project; and

(ii) Pre-sale restrictions

We note that various rules have been enforced to tighten up the pre-sale of commodity properties in different provinces of the PRC. For example, in Shanghai, pre-sale of low-rise buildings (seven-storey or less) cannot be commenced until completion of the construction of the canopy, while high-rise buildings must be two-third completed. Given the tightening up of the pre-sale restrictions, the Group’s generation of sales proceeds from pre-sale of commodity units might be slower.

The current austerity measures imposed by CBRC have restricted the credit available in the real estate sector of the PRC and it is uncertain when the austerity measures will be lifted. As real estate development is capital intensive and long-term in nature, and depending whether the real estate is for sale or for rental purpose, investment tenure usually ranges from three years to over 10 years. In this connection, we concur with the view of the Directors that the inherent uncertainty of financing arrangement caused by the aforesaid austerity measures has led the Directors to consider alternative funding means

other than bank borrowings. Given that the Rights Issue will enable the Company to meet its financing requirements via other means, the Company will be benefited from placing less reliance on debts generated from bank borrowings.

(b) *Development cost and settlement of outstanding resettlement cost*

Out of the proceeds from the Rights Issue, the Group intends to apply approximately HK\$2.5 billion to settle the outstanding resettlement cost and the remaining balance of approximately HK\$0.5 billion to fund the development costs of the Group's property projects and as general working capital for future development. We have discussed with the Directors and based on the information provided by the Company, as at 30 June 2004, the Group had a total GFA under development of approximately 15 million sq.m. in 17 cities in the PRC. We understand that the Group plans to commence construction of a number of projects with an aggregate GFA of approximately 1.4 million sq.m., of which the land cost and resettlement cost have been fully paid. We further understand from the Directors that certain parcels of land mainly in Beijing, Tianjin and Guangzhou with an aggregate GFA of approximately 1.8 million sq.m. have been identified for construction, of which the settlement of outstanding resettlement costs is required prior to the commencement of construction, and the proceeds of the Rights Issue are intended to be applied so. The resettlement cost to be paid in the next 18 months is estimated by the Company to be approximately HK\$2.7 billion.

The senior management of the Company advised that the above funding requirement has taken into account cash inflow from operations including proceeds from property sales. We consider the above use of proceeds, which has already taken into account cash inflow from operations including proceeds from property sales, is appropriate.

We have reviewed the latest annual reports of the Comparable Companies (as defined in section 5.2 below) and note that the Group has a comparatively large land bank for future development amongst the Comparable Companies. Given (i) the well-recognised brand name of the Group as evidenced by its "2004 China Blue Chip Property Developer" awarded in 2004 by Economic Observer and Beijing Youth Daily, two national newspapers in the PRC; (ii) the economic stimulant on the 2008 Olympics in Beijing and PRC's commitment to open up more industries pursuant to the World Trade Organisation ("WTO"); thereby increasing the demand for commercial units and high-end residential housing; and (iii) the Group's plan to sell approximately 1.3 million sq.m. of properties for the financial year ended 2005, representing an increase of approximately 43% from the same period of 2004, the Group's plan to apply part of the proceeds from the Rights Issue to settle the outstanding resettlement cost and to fund the development costs of the Group's property projects will expedite the Group's construction plan and hence the generation of revenue.

1.5 Overview of property market in the PRC

We have reviewed the information from the National Development and Reform Commission ("NDRC") in connection with the property price trends in 35 cities in the PRC, including Beijing, Tianjin, Shanghai and Guangzhou in the last quarter of 2004. We note that in general, residential property prices had increased approximately 10.8% as compared to the same period in 2003. We also note that the majority of the Group's property portfolio is within the top ten cities with price increment of more than 10% in the last quarter of 2004.

LETTER FROM COMMERZBANK

We note that the Group has substantial investments in Beijing and Shanghai, being the financial hubs of the PRC. The real estate market in Beijing and Shanghai will continue to be driven by increased disposable income of people in the cities, better infrastructure facilities as a result of the 2008 Olympics and other Olympic-related investments in Beijing, the opening up of major industries in the PRC pursuant to its commitment to WTO, thereby resulting in the coming of foreign companies and hence increase the demand for high-end residential market. Apart from Beijing and Shanghai, the Group has various developments in Guangzhou and the Pearl River Delta area. In view of the 2010 Asian Games to be held in Guangzhou, substantial investments in infrastructure and property developments will be made in the near future.

We have reviewed market research reports and note that there is a market consensus of a positive outlook on PRC's real estate market in the long-run as benefited from the continuing PRC economic growth, capital inflows and anticipation of the revaluation of Renminbi ("RMB"). However, the real estate market may still be subject to administrative and economic intervention of the PRC Government in the short-term.

1.6 Other financing alternatives

In order to ascertain the cash flow for business development and the debt maturity profile of the Group, we have discussed with the Directors the availability of raising funds through different financing options.

(a) Bank borrowings

We understand from the Directors that it would be difficult to extend current bank financing in the PRC in view of the austerity measures announced by the PRC Government. In addition, the Directors are of the view that even if bank loans are granted by local banks, the tenure will be around one to two years. Due to the long-term nature of real estate development projects, we agree with the Directors that financing the same with short-term bank borrowings would lead to debt maturity mismatch on the part of the Group, thereby resulting in funding requirement uncertainty. We note that the Group had no equity fund raising activities in the past 12 months prior to the date of the Announcement. Based on information provided by the Company, the Group has total borrowings of HK\$6,009 million as at 31 December 2004, the debt maturity profile is set out as follows:

Debt maturity profile of the Group as at 31 December 2004

HK\$ million

Repayable:	
— within one year	2,901
— between one and two years	1,740
— more than two years	<u>1,368</u>
	<u><u>6,009</u></u>

In view of (i) the increasing interest rate trend for RMB-denominated loans (i.e. the People's Bank of China announced on 29 October 2004 that the one-year lending rates have increased from 5.31% per annum to 5.58% per annum); (ii) the uncertainty inherent in the renewal or extension of the existing bank loans, (iii) the amount of the funding

required; and (iv) the financing need to match the Group's debts maturity profile, we concur with the view of the Directors that it is prudent to finance the Group's long term investments by means of long-term funding and to seek alternative funding for the Group other than placing reliance on the financial institutions in the PRC.

(b) *Share placement/equity-linked securities*

Given the amount of the funding required, the issuance of convertible bonds or conducting a share placement would have had a material dilution effect on the Shareholders, which in the opinion of the Directors, would not be beneficial to the Shareholders.

(c) *Open offers*

Open offer is an offer to existing holders of securities to subscribe securities, whether or not in proportion to their existing shareholdings. In contrast to an open offer, the Rights Issue enables non-participating Shareholders to dispose of and trade their nil-paid entitlements on the Stock Exchange. Moreover, Qualifying Shareholders are entitled for excess application of Rights Shares provisionally allotted but not accepted.

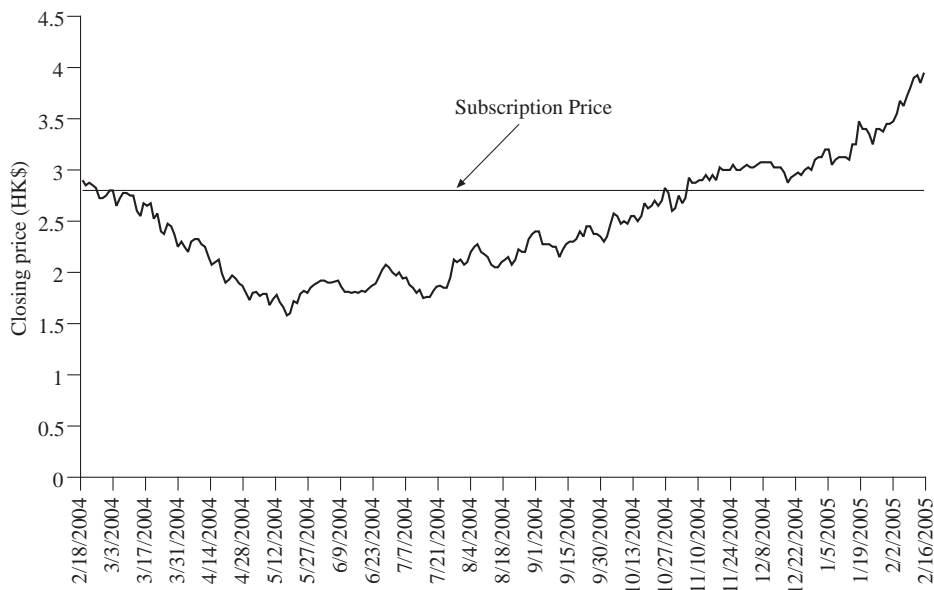
Having considered the above, given that (i) the Rights Issue provides the Company with the requisite cash flow requirement to continue its growth opportunities in the real estate market in the PRC; (ii) greater certainty and better matching of debt maturity, in particular for long-term real estate projects; and (iii) an opportunity for all Shareholders to participate in the fund raising exercise in proportion to their existing shareholding entitlement in the Company, we concur with the Directors that the Rights Issue is an acceptable and equitable means to raise funds for the Company.

2. The Subscription Price

The Subscription Price for the Rights Shares is HK\$2.80 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

LETTER FROM COMMERZBANK

Set out below is the graph showing the closing prices of the Shares for the period from 18 February 2004 to 17 February 2005 inclusive, being the last trading date prior to date of the Announcement (the “**One-year Period**”).



Source data from Bloomberg

The Subscription Price represents:

- a discount of approximately 30.0% to the closing price of HK\$4.00 per Share as quoted on the Stock Exchange on 17 February 2005, being the last trading day prior to the date of the Announcement;
- a discount of approximately 26.3% to the average closing price of HK\$3.80 per Share for the 10 consecutive trading days up to and including 17 February 2005, being the last trading day prior to the date of the Announcement;
- a discount of approximately 22.2% to the average closing price of HK\$3.60 per Share for the one month up to and including 17 February 2005, being the last trading day prior to the date of the Announcement;
- a discount of approximately 13.6% to the average closing price of HK\$3.24 per Share for the three months up to and including 17 February 2005, being the last trading day prior to date of the Announcement;
- a discount of approximately 17.6% to the closing price of HK\$3.40 per Share on the Latest Practicable Date;
- a discount of approximately 14.6% to the theoretical ex-rights price of HK\$3.28 per Share based on the closing price as quoted on the Stock Exchange on 17 February 2005, being the trading day prior to the date of the Announcement; and
- a discount of approximately 74.5% to the audited consolidated net tangible asset value of approximately HK\$10.99 per Share as at 30 June 2004.

LETTER FROM COMMERZBANK

The Directors advised that the Subscription Price was arrived at after arm's length negotiation between the Company and NWD with reference to the market price of the Shares under prevailing market conditions, taking into consideration that each Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his or her existing shareholding in the Company. The Directors consider the Subscription Price to be fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

We have reviewed eight rights issues which represent the rights issue with amount raised more than HK\$100 million for companies listed on the main board of the Stock Exchange that have been announced in the One-year Period (“**Comparable Rights Issues**”), details of which are set out below:

Company name	Underwriting commission %	Date of announcement	Basis of provisional allotment for the rights issue	Discount to the closing price on the last trading day %	Discount to the theoretical ex-rights price %
Emperor (China Concept) Investments Limited	1.00%	18 November 2004	5 for 1	12.8%	2.4%
Polytec Asset Holdings Limited	2.00%	10 September 2004	1 for 1	11.3%	6.0%
Angang New Steel Co Ltd	N/A*	31 December 2004	8 for 10	21.0%**	12.9%**
Yangtzekiang Garment Manufacturing Company Limited	2.00%	30 August 2004	1 for 2	18.2%	12.9%
Daqing Petroleum & Chemical Group Limited	2.75%	5 August 2004	1 for 2	21.1%	15.1%
Wai Yuen Tong Medicine Holdings Limited	3.00%	20 April 2004	4 for 1	66.7%	28.6%
Polytec Asset Holdings Limited	2.00%	13 April 2004	1 for 1	51.0%	34.2%
Lai Fung Holdings Limited	4.20%***	23 June 2004	1 for 4	57.4%	51.9%
The Company	1.00%	18 February 2005	3 for 2	30.0%	14.6%

* The rights issue was on a non-underwritten basis

** Calculated based on the mid-price of the rights issue subscription price set out in the announcement

*** The underwriting commission was paid by way of a fixed sum commission of approximately HK\$2.61 million, which is equivalent to approximately 4.20%

As shown in the above table, the subscription prices of the Comparable Rights Issues were set at discounts to their respective closing prices on the last trading day immediately prior to the release of the relevant announcements ranging from approximately 11.3% to 66.7%. Such subscription prices also represented discounts from the theoretical ex-rights prices per share based on the respective closing prices per share on the last trading day immediately before the relevant announcements were released, ranging from approximately 2.4% to 51.9%.

We note that discount of the Subscription Price of approximately 30% to the closing price of the Shares as at the last trading day prior to the date of the Announcement is within the range of discounts to those of the Comparable Rights Issues of approximately 11.3% to 66.7%.

In addition, the discount of the Subscription Price of approximately 14.6% to the theoretical ex-rights price of the Shares is also within the range of discounts to those of the Comparable Rights Issues of approximately 2.4% to 51.9%. We consider that the use of the discount to the closing price of the Shares by the Company in arriving at the Subscription Price is within the range of the discounts used by the Comparable Rights Issues and the Subscription Price is fair and reasonable as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base at a price below the closing price on the last trading day prior to the date of the Announcement.

3. Underwriting arrangements

NWD, a controlling shareholder of the Company, is deemed to be interested in 1,054,107,600 Shares under the SFO, representing approximately 70.14% of the existing issued share capital of the Company as at the Latest Practicable Date. NWD has indicated to the Company that the 1,015,053,093 Shares beneficially owned by it as at the date of the Announcement will remain registered in the same name on the Record Date. Pursuant to the Underwriting Agreement, NWD has undertaken to accept all the Rights Shares to be provisionally allotted to it or its nominee as the holder of such Rights Shares pursuant to the Rights Issue. The Rights Issue will be fully underwritten by NWD (other than the Rights Shares provisionally allotted to NWD) on the terms and subject to the conditions set out in the Underwriting Agreement.

NWD will receive an underwriting commission of 1.0% of the Rights Shares (other than the Rights Shares to be provisionally allotted and taken up by NWD and/or its nominees) pursuant to the Rights Issue. The maximum commission to be received by NWD will be approximately HK\$21.6 million. As set out in the table above, the underwriting commission of the Rights Issue is within the range of those of the Comparable Rights Issues which was in the range of 1.0% to 4.20%. Accordingly, we consider that the underwriting commission of the Rights Issue is at the low end of the range and is in line with normal market practice.

4. Dilution effect on shareholding interests of the Shareholders

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who will take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. In addition, Qualifying Shareholders are also entitled to apply for any unsold entitlements of the Excluded Shareholders (if any), unsold Rights Shares created by adding together fractions of the Rights Shares and any nil-paid Rights Share provisionally allotted but not accepted.

LETTER FROM COMMERZBANK

Assuming no Shares are issued and allotted to holders of the Share Options on or before the Record Date pursuant to the exercise of the Vested Share Options

	As at the Latest Practicable Date		Immediately after the Rights Issue and if all Shareholders take up their respective provisional allotments of the Rights Shares in full		Immediately after the Rights Issue and if NWD is required to take up all Rights Shares pursuant to the Underwriting Agreement	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
NWD	1,015,053,093	67.54	2,537,632,731	67.54	3,269,349,231	87.02
Subsidiaries of NWD	39,054,507	2.60	97,636,266	2.60	39,054,507	1.04
Directors	<u>8,086,926</u>	<u>0.54</u>	<u>20,217,315</u>	<u>0.54</u>	<u>8,086,926</u>	<u>0.22</u>
Sub-total of NWD and its associates	1,062,194,526	70.68	2,655,486,312	70.68	3,316,490,664	88.28
Public	<u>440,669,568</u>	<u>29.32</u>	<u>1,101,673,920</u>	<u>29.32</u>	<u>440,669,568</u>	<u>11.72</u>
Total	<u><u>1,502,864,094</u></u>	<u><u>100.00</u></u>	<u><u>3,757,160,232</u></u>	<u><u>100.00</u></u>	<u><u>3,757,160,232</u></u>	<u><u>100.00</u></u>

For those Qualifying Shareholders who do not exercise their rights to subscribe for the Rights Issue in full, depending on the extent to which they take up their entitlements, as set out in the above table, the shareholding of the Qualifying Shareholders will be diluted by approximately 60.0%. Shareholding interests of the public shareholders (as defined in the Listing Rules) will be decreased from approximately 29.32% to approximately 11.72% (assuming no Shares are issued and allotted to holders of Share Options on or before the Record Date pursuant to the exercise of the Vested Share Options) as set out in the above table if all Qualifying Shareholders do not exercise their rights to subscribe for the Rights Issue and NWD is required to take up all Rights Shares pursuant to the Underwriting Agreement. However, it should be noted that such Shareholders will have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market, subject to the then prevailing market conditions, and Shareholders who have disposed of their nil-paid rights will not be able to subscribe for the Rights Shares.

The Rights Issue is not available to Excluded Shareholders. Excluded Shareholders are Shareholders whose names appear on the register of members of the Company and whose addresses as shown on such register are outside Hong Kong as at the close of business on the Record Date, and to whom the Directors, based on the legal advices given by the legal counsels of the relevant jurisdictions, consider it necessary or expedient not to offer any Rights Shares. The shareholding interests of the Excluded Shareholders will likewise be diluted by approximately 60.0% (assuming no Shares are issued and allotted to holders of Share Options on or before the Record Date pursuant to the exercise of the Vested Share Options). As set out in the Letter from the Board, in determining who will be the Excluded Shareholders and in compliance with the relevant Listing Rules, the Company will make necessary enquiries regarding the legal restrictions (if any) under the laws of the relevant jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges for the offer of the Rights Shares to Shareholders whose addresses appear on the register of the Company at the close of business on the Record Date are in any jurisdictions outside Hong Kong. Further announcement regarding the Excluded Shareholders will be made on or before the posting of the Rights Issue Documents, which is expected to be on Monday, 21 March 2005. The Company will make

arrangements to sell the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, and will pay the proceeds of the sale (net of expenses) to the Excluded Shareholders. We are of the view that this arrangement is fair and reasonable in so far as the Excluded Shareholders are concerned.

We are of the opinion that the proposed arrangements of the Rights Issue are in-line with market practice for the rights issues, and we consider that there are sufficient arrangements, in particular, for those Independent Shareholders who do not intend to fully take up their entitlements, as they will have the option to sell their entitlements, subject to market conditions.

5. Financial impact of the Rights Issue on the Company

5.1 *Net tangible assets*

The net tangible assets of the Group as at 30 June 2004 was HK\$16,369.2 million as set out in the Company's 2004 annual report. The net tangible assets per Share prior to the Rights Issue was HK\$10.90 based on number of Shares outstanding as at the Latest Practicable Date of 1,502,864,094. Upon completion of the Rights Issue, the net tangible assets of the Group would be increased by HK\$6,285.13 million, being the estimated net proceeds from the Rights Issue (assuming no Shares are issued and allotted to holders of Share Options on or before the Record Date pursuant to the exercise of the Vested Share Options). The net tangible assets per Share would be decreased by approximately 44.7% to HK\$6.03 based on the enlarged number of Shares immediately after the Rights Issue, assuming all Shareholders take up their respective provisional allotments of the Rights Shares and no Shares are issued and allotted to holders of Share Options on or before the Record Date. The decrease in the net tangible assets per Share is mainly due to the fact that the Subscription Price for the Rights Issue is at a discount to the net tangible assets per Share prior to the Rights Issue. We note that individual Shareholders who take up their respective entitlements in full under the Rights Issue will not experience a diminution of total net assets value attributable to them. We take into account that the Rights Issue will enlarge the capital base of the Group and consider the overall increase in the Group's net tangible assets upon completion of the Rights Issue to be in the interest to the Company as a whole.

5.2 *Gearing ratio*

As set out in section 1.3 above, the gearing ratio of the Group as at 30 June 2004 was 35.2%. The gearing ratio of the Group would be decreased to 25.5% based on the total borrowings of HK\$5,770 million as at 30 June 2004 and the Shareholders' fund of HK\$22,654 million as enlarged by the net Rights Issue proceeds of HK\$6,285.13 million immediately following the completion of the Rights Issue (assuming no Shares are issued and allotted to holders of Share Options on or before the Record Date pursuant to the exercise of all Vested Share Options). We note that approximately HK\$3.3 billion of the net proceeds of the Rights Issue are intended for debt reduction which will further improve the gearing ratio from 25.5% to 10.90% based on the enlarged Shareholders' fund of approximately HK\$22,654 million and reduced total borrowings of approximately HK\$2,470 million. As such, we consider the decrease in gearing ratio is in the interest of the Company as a whole.

LETTER FROM COMMERZBANK

We have also reviewed the gearing ratios of the following listed companies which are of similar size to the Company and whose principal businesses are similar to the Company, i.e., their principal activities include property development and property related investment in the PRC (the “**Comparable Companies**”). We note that the gearing ratios of the Company before the Rights Issue and after the Rights Issue are 35.2% and 25.5% respectively, which are within the range of the gearing ratios of the Comparable Companies ranging from 6.2% to 85.5%, calculated based on their latest published annual reports.

Company	Bloomberg Code	Gearing ratio
Beijing North Star Company Limited	588 HK	6.2%
China Overseas Land & Investment Ltd	688 HK	32.3%
Shenzhen Investment Ltd	604 HK	77.8%
Beijing Capital Land Ltd	2868 HK	85.5%

Source: Bloomberg

5.3 Working capital and liquidity

The Group had cash and bank balances of approximately HK\$857 million as at 30 June 2004. The cash and bank balances of the Group would be increased by the net proceeds of the Rights Issue of HK\$6,285.13 million immediately following the Rights Issue (assuming no Shares are issued and allotted to holders of Share Options on or before the Record Date pursuant to the exercise of all Vested Share Options) which is payable in full on acceptance. However, we note that part of such net proceeds will be used for debt reduction and payment of resettlement costs and the remaining balance, estimated to be HK\$0.5 billion, as general working capital. The current ratio of the Group is 1.40 times based on current assets of approximately HK\$5,753 million and current liabilities of approximately HK\$4,115 million as at 30 June 2004. Immediately following the completion of the Rights Issue, the current ratio will increase to 1.52 times taking into account the increase in general working capital approximately of HK\$0.5 billion. We consider the increase in the cash balances of the Group following the Rights Issue to be in the interest of the Company as a whole.

Having considered the above as a whole, we are of the view that the overall financial impact of the Rights Issue on the Company is positive.

LETTER FROM COMMERZBANK

SUMMARY

Having considered the above principal factors and reasons, we draw your attention to the following key factors in arriving at our opinion:

- (i) the use of proceeds from the Rights Issue;
- (ii) the Directors' consideration of alternative financing arrangements other than bank borrowings in the PRC;
- (iii) the reasons for and benefits of the Rights Issue, in particular, the Rights Issue will strengthen the Group's financial position by placing less reliance on bank borrowings;
- (iv) Shareholders' participation in the fund raising exercise on a pro-rata basis; and
- (v) the overall positive financial impact of the Rights Issue on the Company as a whole.

OVERALL RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the view that the terms of the Rights Issue are fair and reasonable, are in the interests of the Company and its Independent Shareholders, and are on normal commercial terms. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Commerzbank AG Hong Kong Branch

Harald Vogt
General Manager

Helen Ho
Head of Corporate Finance — M&A Advisory



New World China Land Limited
新世界中國地產有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 0917)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of New World China Land Limited (the “Company”) will be held at Concord Room 1, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Hong Kong on Monday, 21 March 2005 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions numbered 1 to 4 which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**, conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting the permission to deal in, shares of HK\$0.10 each in the issued share capital of the Company in their nil-paid and fully-paid forms to be allotted to the shareholders of the Company by way of rights as announced on 18 February 2005 and as more particularly described in a circular dated 4 March 2005 (the “Circular”) to the shareholders of the Company of which the notice convening this meeting at which this resolution is proposed forms part:
 - (a) the issue by way of rights (the “Rights Issue”) of not less than 2,253,426,138 shares of HK\$0.10 each in the share capital of the Company (the “Rights Shares”) to holders of the shares of the Company whose names appear on the register of members of the Company on Monday, 21 March 2005 (the “Record Date”) in proportion of three Rights Shares for every existing two shares of the Company then held at the subscription price of HK\$2.80 per Rights Share and otherwise on the terms and conditions set out in the underwriting agreement dated 18 February 2005 entered into by the Company in relation to the Rights Issue (the “Underwriting Agreement”), a copy of the Circular marked A and a copy of the Underwriting Agreement marked B have been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, be and is hereby approved;
 - (b) the directors of the Company be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue provided that in the case of shareholders of the Company whose addresses as shown on the register of members of the Company at the close of business on the Record Date are in any jurisdictions outside Hong Kong, and to whom the directors of the Company consider it necessary or expedient not to offer the Rights Shares on account of the legal advices given by the legal counsels of such jurisdictions (the “Excluded Shareholders”), the Rights Shares shall not be issued to the Excluded Shareholders but shall be aggregated and issued to a nominee to be named by the Company and such Rights Shares shall be sold in the market as soon as practicable after dealings in Rights Shares in the nil-paid form commence and the proceeds of such sale (after deduction of expenses) of HK\$100 or more will be paid to the Excluded Shareholders pro-rata to their respective shareholdings and the Company shall retain any individual amount of less than HK\$100; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the directors of the Company be and are hereby authorised to make such other exclusions or other arrangements in relation to the Excluded Shareholders as they may deem necessary or expedient and generally to do such things or make such arrangement as they may think fit to effect the Rights Issue”.
2. “**THAT** subject to the completion of the Rights Issue referred to in ordinary resolution numbered 1 as set out in this notice convening this meeting, the exercise by the directors of the Company during the Relevant Period (as defined below) of all of the powers of the Company:
- (a) to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements, options and other rights, or issue warrants or other securities, which might require the exercise of such powers during and after the Relevant Period, provided that the aggregate nominal amount of share capital in respect of which the aforesaid mandate shall be exercised, otherwise than in pursuant to or in consequence of (1) a rights issue; or (2) 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 articles of association of the Company; or (3) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed the aggregate of 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as enlarged by the issue of shares pursuant to the Rights Issue and the said approval shall be limited accordingly; and
- (b) For the purposes of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:
- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands to be held; and
- (iii) the revocation, variation or renewal of the authority given to the directors of the Company in this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
3. “**THAT**
- (a) subject to the completion of the Rights Issue referred to in ordinary resolution numbered 1 as set out in the notice convening this meeting and paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period of all powers of the Company to repurchase issued shares in the share capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose, subject to and in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange or of any other stock exchange as amended from time to time and all applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the aggregate nominal amount of issued shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as enlarged by the issue of shares pursuant to the Rights Issue and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” shall have the same meaning as defined in resolution numbered 2(b) as set out in the notice convening this meeting.”

4. **“THAT**

conditional upon the passing of ordinary resolutions numbered (2) and (3) as set out in the notice convening this meeting, the general unconditional mandate granted to the directors of the Company pursuant to ordinary resolution numbered (2) as set out in the notice convening this meeting be extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed to be allotted by the directors pursuant to such general mandate of an amount representing the aggregate nominal value of the shares repurchased by the Company pursuant to the authority to repurchase shares granted pursuant to ordinary resolution numbered (3) as set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal value of the share capital of the Company in issue as enlarged by the issue of shares pursuant to the Rights Issue.”

By Order of the Board
Chow Yu-chun, Alexander
Company Secretary

Hong Kong, 4 March 2005

Notes:

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice (or at any adjournment thereof) is entitled to appoint a proxy to attend and vote instead of him/her at the meeting. A proxy need not be a member of the Company.
2. To be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be lodged at the Company’s branch share registrar in Hong Kong, Standard Registrars Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the proxy will not preclude any member from attending and voting in person should you so wish.
3. In case of joint registered holders of any shares of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such shares of the Company as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first in the register of members of the Company in respect of such shares of the Company shall alone be entitled to vote in respect thereof.
4. A form of proxy for use at the meeting is enclosed herewith.

EXPLANATORY STATEMENT FOR THE REPURCHASE MANDATE

This section serves as the explanatory statement required under Rule 10.06(1)(b) of the Listing Rules to provide you with the information necessary for your consideration of the repurchase mandate to be granted to the Directors.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,502,864,094 Shares and will be increased to 3,757,160,232 Shares upon completion of the Rights Issue (assuming no further Shares are issued on or before the Record date).

Subject to the passing of the relevant ordinary resolution and assuming that the Company has 3,757,160,232 Shares in issue upon the completion of the Rights Issue, the Company will be allowed under the repurchase mandate to repurchase a maximum of 375,716,023 Shares.

REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earning per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and articles of association and the applicable laws of the Cayman Islands. The laws of Cayman Islands provide that the purchase of Shares may only be paid from the profits of the Company and/or out of the proceeds of a new issue of Shares made for the purpose of the repurchase or out of capital, if the Company can immediately following such payment, pay its debts as they fall due in the ordinary course of business.

There might be material adverse impact on the working capital or gearing position of the Company in the event that the proposed repurchase of Shares was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the repurchase mandate to such extent as would in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

GENERAL

The Directors have undertaken to the Stock Exchange that, so far as the same may be applied, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates have any present intention to sell any Shares to the Company.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the repurchase mandate is approved by the Shareholders.

EXPLANATORY STATEMENT FOR THE REPURCHASE MANDATE

The Directors do not intend to repurchase Shares to such an extent that the public float will fall below the prescribed limit as imposed under the Listing Rules. The Directors are not aware of any consequences which will arise under the Hong Kong Code on Takeovers and Mergers as a result of any purchases made under the repurchase mandate.

SHARE PRICES

The highest and lowest traded prices for Shares recorded on the Stock Exchange during each of the previous twelve months were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2004		
March	2.800	2.250
April	2.325	1.730
May	1.900	1.600
June	2.075	1.800
July	2.125	1.750
August	2.400	2.050
September	2.450	2.150
October	2.825	2.475
November	3.050	2.625
December	3.125	2.875
2005		
January	3.475	3.050
February	4.000	3.300

SHARE PURCHASES MADE BY THE COMPANY

No purchase of Shares has been made by the Company in the previous six months preceding the date of this circular (whether on the Stock Exchange or otherwise).