

New World Development Company Limited

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(incorporated in Hong Kong with limited liability)

CONNECTED TRANSACTIONS AND SHARE TRANSACTIONS



(incorporated in the Cayman Islands with limited liability)

Connected Transactions and Share Transactions

involving an acquisition of shares in Kiwi Profits Limited and

an interest in Nanjing Huawei Real Estate Development Company Limited



Lee Hing Development Limited
利興發展有限公司

(incorporated in Hong Kong with limited liability)

Connected Transactions

involving a disposal of shares in Kiwi Profits Limited and

an interest in Nanjing Huawei Real Estate Development Company Limited

SALE AND PURCHASE OF SHARES IN KIWI PROFITS

Pursuant to an agreement dated 25 May 2001, HK2, an indirect wholly-owned subsidiary of Lee Hing, has agreed to sell and Steady Profits, an indirect wholly-owned subsidiary of NWCL, has agreed to purchase the Sale Shares for a consideration equal to HK\$28,349,737. The Sale Shares represent 30% of the issued share capital of Kiwi Profits.

The consideration payable in respect of the transfer of the Sale Shares will be satisfied by the issue and allotment by NWCL to HK2 or its nominee of 8,790,616 NWCL Shares credited as fully paid.

SALE AND PURCHASE OF AN INTEREST IN NANJING HUAWEI

Pursuant to an agreement dated 25 May 2001, HK3, an indirect wholly-owned subsidiary of Lee Hing, has agreed to sell and NWDC, a direct wholly-owned subsidiary of NWCL, has agreed to purchase the Joint Venture Interest for a consideration equal to HK\$6,840,677. The Joint Venture Interest represents a 12% equity interest in the registered capital of Nanjing Huawei.

The consideration payable in respect of the assignment of the Joint Venture Interest will be satisfied by the issue and allotment by NWCL to HK3 or its nominee of 2,121,140 NWCL Shares credited as fully paid.

CONDITIONS PRECEDENT

Completion of the sale and purchase of the Sale Shares and of the Joint Venture Interest are conditional upon:

- (a) the approval of the independent shareholders of Lee Hing; and
- (b) the Listing Committee of the Stock Exchange granting approval to the listing of, and permission to deal in, the Consideration Shares to be issued and allotted in respect of each transaction.

ALLOTMENT AND ISSUE OF NWCL SHARES

The number of NWCL Shares that will be allotted to HK2 represents 0.60% of the issued share capital of NWCL.

The number of NWCL Shares that will be allotted to HK3 represents 0.14% of the issued share capital of NWCL.

In aggregate, the Consideration Shares represent approximately 0.74% of the existing issued share capital of NWCL and approximately 0.74% of the issued share capital of NWCL as enlarged by the issue of the Consideration Shares.

CONNECTED TRANSACTIONS AND SHARE TRANSACTIONS OF NWD AND NWCL

The Transactions constitute connected transactions and share transactions for each of NWD and NWCL under the Listing Rules and are required to be disclosed by way of a press announcement. Relevant details will also be included in the next published annual report and accounts of each of NWD and NWCL in accordance with Rule 14.25(1) of the Listing Rules.

CONNECTED TRANSACTIONS OF LEE HING

The Transactions constitute connected transactions of Lee Hing under the Listing Rules and in addition to disclosure by way of a press announcement, require the approval of the independent shareholders of Lee Hing. Relevant details will also be included in the next published annual report and accounts of Lee Hing in accordance with Rule 14.25(1) of the Listing Rules.

SALE AND PURCHASE OF SHARES IN KIWI PROFITS

Kiwi Profits Agreement

Date

25 May 2001

Parties

- (1) HK2, as the vendor; and
- (2) Steady Profits, as the purchaser

HK2 is an indirect wholly-owned subsidiary of Lee Hing and is the owner of the Sale Shares that represent 30% of the entire issued share capital of Kiwi Profits.

Steady Profits is an indirect wholly-owned subsidiary of NWCL and is the owner of 7 shares of par value US\$1.00 each in Kiwi Profits, representing 70% of the entire issued share capital of Kiwi Profits.

Major terms of the Kiwi Profits Agreement

Pursuant to the Kiwi Profits Agreement, HK2 has agreed to sell and Steady Profits has agreed to purchase the Sale Shares. The consideration payable by Steady Profits to HK2 for the Sale Shares is equal to HK\$28,349,737, which will be satisfied by the issue and allotment by NWCL

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to HK2 or its nominee of 8,790,616 NWCL Shares valued at HK\$3.225 each and credited as fully paid.

The terms of the Kiwi Profits Agreement, including the consideration, have been reached following arm's length negotiations between the parties to the Kiwi Profits Agreement and after taking into account the current trading price of NWCL Shares on the Stock Exchange.

Conditions precedent to the Kiwi Profits Agreement

Completion of the sale and purchase of the Sale Shares is conditional upon satisfaction of the following conditions:

- (a) the passing at an extraordinary general meeting of Lee Hing by independent shareholders of a resolution approving the Kiwi Profits Agreement and the matters contemplated therein; and
- (b) the Listing Committee of the Stock Exchange granting approval to the listing of, and permission to deal in, the NWCL Shares to be issued and allotted to HK2 pursuant to the Kiwi Profits Agreement.

Completion of the Kiwi Profits Agreement

Completion of the sale and purchase of the Sale Shares pursuant to the Kiwi Profits Agreement will take place within 5 days following the fulfilment of all of the conditions referred to above provided such date is not later than 30 June 2001. If the conditions are not satisfied on or before 30 June 2001 (or such later date as Steady Profits and HK2 may agree) the Kiwi Profits Agreement shall lapse. It is expected that completion of the Kiwi Profits Agreement will take place on or about 28 June 2001.

Information relating to Kiwi Profits

Kiwi Profits is a limited liability company incorporated in the British Virgin Islands and is owned as to 70% and 30% by Steady Profits and HK2 respectively at the date of the Kiwi Profits Agreement. Upon completion of the Kiwi Profits Agreement, Kiwi Profits will become a wholly-owned subsidiary of Steady Profits, hence an indirect wholly-owned subsidiary of NWCL.

Kiwi Profits holds indirectly through a number of intermediary companies a 35% interest in a number of sino-foreign equity joint venture companies incorporated in the PRC which, in turn,

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hold, in aggregate, the entire interest in Beijing Lai Loi Garden (“Beijing Lai Loi”) which is located in the Shunyi County of Beijing City, the PRC. This location is being developed into a low density residential housing area with gross floor area of approximately 649,590 sq.m. Beijing Lai Loi is now under construction and phase I of Beijing Lai Loi is expected to complete in year 2002.

The unaudited consolidated net assets of Kiwi Profits as at 31 December 2000 is HK\$403,434,179. The audited consolidated net loss before taxation of Kiwi Profits for the financial years ended 30 June 1999 and 30 June 2000 was HK\$906,107 and HK\$1,076,038 respectively. The value of the consideration for the Sale Shares represents a discount of approximately 77% to the unaudited consolidated net asset value of Kiwi Profits as at 31 December 2000.

As at 31 December 2000, the book value of the Sale Shares as set out in the audited consolidated accounts of Lee Hing was HK\$19,339,355. The value of the consideration received represents a premium of approximately 47% to the book value of the Sale Shares as set out in the audited consolidated accounts as at 31 December 2000 of Lee Hing.

SALE AND PURCHASE OF AN INTEREST IN NANJING HUAWEI

Nanjing Huawei Agreement

Date

25 May 2001

Parties

- (1) HK3, as the transferor; and
- (2) NWDC, as the transferee

HK3 is an indirect wholly-owned subsidiary of Lee Hing and is the beneficial owner of the Joint Venture Interest that represents a 12% equity interest in the registered capital of Nanjing Huawei.

NWDC is a direct wholly-owned subsidiary of NWCL and is the owner of a 80% equity interest in the registered capital of Nanjing Huawei.

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Major terms of the Nanjing Huawei Agreement

Pursuant to the Nanjing Huawei Agreement, HK3 has agreed to transfer and NWDC has agreed to acquire the Joint Venture Interest. The consideration payable by NWDC to HK3 for the Joint Venture Interest is equal to HK\$6,840,677, which will be satisfied by the issue and allotment by NWCL to HK3 or its nominee of 2,121,140 NWCL Shares valued at HK\$3.225 each and credited as fully paid.

The terms of the Nanjing Huawei Agreement, including the consideration, have been reached following arm's length negotiations between the parties to Nanjing Huawei Agreement and after taking into account the current trading price of NWCL Shares on the Stock Exchange.

Conditions precedent to the Nanjing Huawei Agreement

Completion of the sale and purchase of the Joint Venture Interest is conditional upon satisfaction of the following conditions:

- (a) the passing at an extraordinary general meeting of Lee Hing by independent shareholders of a resolution approving the Nanjing Huawei Agreement and the matters contemplated therein; and
- (b) the Listing Committee of the Stock Exchange granting approval to the listing of, and permission to deal in, the NWCL Shares to be issued and allotted to HK3 pursuant to the Nanjing Huawei Agreement.

Completion of the Nanjing Huawei Agreement

Completion of the sale and purchase of the Joint Venture Interest pursuant to the Nanjing Huawei Agreement will take place within 5 days following the fulfilment of all of the conditions referred to above provided such date is not later than 30 June 2001. If the conditions are not satisfied on or before 30 June 2001 (or such later date as NWDC and HK3 may agree) the Nanjing Huawei Agreement shall lapse. It is expected that completion of the Nanjing Huawei Agreement will take place on or about 28 June 2001.

Information relating to Nanjing Huawei

Nanjing Huawei is a sino-foreign equity joint venture incorporated in the PRC and beneficially owned as to 80%, 12% and 8% by NWDC, HK3 and independent third parties respectively at the

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date of the Nanjing Huawei Agreement. NWDC increased its beneficial interest in Nanjing Huawei to 80% following the acquisition of additional interests in Nanjing Huawei held by 南京市玄武區城鎮建設綜合開發公司 (Nanjing Xuanwu Town Construction Development Company) and American Professional Sound Systems Co., Ltd. respectively, details of which were set out in a joint announcement by NWCL and NWDC on 11 May 2001.

After completion of the Nanjing Huawei Agreement, Nanjing Huawei will be beneficially owned as to 92% by NWDC and 8% by independent third parties respectively. NWCL has no present intention to acquire further interest in Nanjing Huawei.

The sole business of Nanjing Huawei is the holding of the entire interest in Nanjing New World Centre (the "Centre") located in Xuanwu District, Nanjing, the PRC. The construction of the Centre is now in progress and is scheduled to complete in 2003. It is expected that the Centre will provide a gross floor area of 213,800 sq.m. for the use as service apartments and by retail and hotel businesses.

The unaudited consolidated net asset value of Nanjing Huawei as at 31 December 2000 was HK\$331,474,321. The unaudited consolidated net loss before taxation of Nanjing Huawei for the financial years ended 30 June 1999 and 30 June 2000 was HK\$6,974,156 and HK\$4,171,506 respectively. The value of the consideration for the Joint Venture Interest represents a discount of approximately 83% to the unaudited consolidated net asset value of Nanjing Huawei as at 31 December 2000.

As at 31 December 2000, the book value of the Joint Venture Interest as set out in the audited consolidated accounts of Lee Hing was HK\$4,666,508. The value of the consideration received represents a premium of approximately 47% to the book value of the Joint Venture Interest as set out in the audited consolidated account as at 31 December 2000 of Lee Hing.

REASONS FOR ENTERING INTO THE KIWI PROFITS AGREEMENT AND THE NANJING HUAWEI AGREEMENT

The board of directors of NWCL believe that the acquisition of the Sale Shares and of the Joint Venture Interest are in line with the business objective of NWCL to expand the holding of high quality property in the PRC. The Transactions provide excellent opportunities for NWCL to strengthen its property portfolio and position to benefit from the anticipated increase in demand for high quality property in the PRC following the PRC's imminent entry to the World Trade Organisation. The respective board of directors of NWD and NWCL (including the independent non-executive directors) are of the view that the terms of the Kiwi Profits Agreement and the Nanjing Huawei Agreement are fair and reasonable as far as their respective shareholders are

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concerned and that the Kiwi Profits Agreement and the Nanjing Huawei Agreement are in the interest of NWD and NWCL.

The board of directors of Lee Hing believe that the sale of the Sale Shares and the Joint Venture Interest represent good opportunities for Lee Hing to realise long term investment projects into liquid listed shares while maintaining an indirect exposure to the property market in the PRC. The board of directors of Lee Hing are of the view that the terms of the Kiwi Profits Agreement and the Nanjing Huawei Agreement are fair and reasonable as far as its shareholders are concerned and that the Kiwi Profits Agreement and the Nanjing Huawei Agreement are in the interest of Lee Hing.

ALLOTMENT AND ISSUE OF NWCL SHARES

Pursuant to the terms of the Kiwi Profits Agreement and the Nanjing Huawei Agreement, NWCL shall respectively allot and issue 8,790,616 NWCL Shares credited as fully paid to HK2 or its nominee, and 2,121,140 NWCL Shares credited as fully paid to HK3 or its nominee.

The issue price for each Consideration Share is HK\$3.225, which is equivalent to a premium of 0.78% above the closing price of the NWCL Shares as quoted in the Stock Exchange on 24 May 2001, being the last trading day immediately preceding the date of the Kiwi Profits Agreement and the Nanjing Huawei Agreement and is equivalent to a premium of 4.03% above the average closing price of the NWCL Shares of HK\$3.10 on the Stock Exchange for the last 10 trading days ended on 24 May 2001.

The Consideration Shares represent approximately 0.74% of the existing issued share capital of NWCL and approximately 0.74% of the issued share capital of NWCL as enlarged by the issue of the Consideration Shares.

Upon completion of the Transactions and following the issue of the Consideration Shares, the interest of NWD in the issued share capital of NWCL will be diluted from 70.54% to 70.02%.

The Consideration shares will be issued under the general mandate granted by the shareholders of NWCL to the directors of NWCL at an extraordinary general meeting of NWCL held on 18 December 2000. The Consideration Shares shall rank pari passu in all respects with all existing issued NWCL Shares.

Application will be made by NWCL to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

CONNECTED TRANSACTIONS AND SHARE TRANSACTIONS

NWD, through its subsidiary, NWD HI, currently holds approximately 15.95% of the existing issued share capital of Lee Hing and is, therefore, a substantial shareholder of Lee Hing. NWCL is a non wholly-owned subsidiary of NWD and in respect of which NWD controls 70.54% of the issued share capital. By virtue of this relationship, the Transactions constitute connected transactions of Lee Hing under the Listing Rules. The Transactions are subject to the disclosure and shareholders' approval requirements set out in Chapter 14 of the Listing Rules.

In relation to both Kiwi Profits and Nanjing Huawei, HK2 and HK3 are substantial shareholders of Kiwi Profits and Nanjing Huawei respectively, which are both treated as subsidiaries of NWCL. By virtue of the interests of HK2 and HK3 in Kiwi Profits and Nanjing Huawei respectively, the Transactions constitute connected transactions for NWCL under the Listing Rules. At the date hereof, NWD held approximately 70.54% interest in the issued share capital of NWCL. Therefore, the Transactions also constitute connected transactions of NWD under the Listing Rules. The Transactions are only subject to the disclosure requirements set out in Rule 14.25 of the Listing Rules.

Relevant details of the Transactions will be included in the next published annual report and accounts of each of NWD, NWCL and Lee Hing in accordance with Rule 14.25(1) of the Listing Rules.

The Transactions also constitute share transactions for NWD and NWCL under the Listing Rule by virtue of the issue of the Consideration Shares by NWCL and are subject to the disclosure requirements set out in Rule 14.22 of the Listing Rules.

APPROVAL OF INDEPENDENT SHAREHOLDERS OF LEE HING

In the case of Lee Hing, each of the Transactions is subject to the approval of the independent shareholders of Lee Hing in an extraordinary general meeting.

An extraordinary general meeting of the shareholders of Lee Hing will be convened to consider and, if thought fit, approve the Transactions. In accordance with the Listing Rules, NWD HI and its associates will abstain from voting at the extraordinary general meeting.

INDEPENDENT BOARD COMMITTEE

A committee of the board of directors of Lee Hing, comprising the independent directors of Lee Hing, will be established for the purposes of advising the independent shareholders of Lee Hing.

INDEPENDENT FINANCIAL ADVISER

An independent financial adviser will be appointed to advise the Independent Board Committee on the terms of the transactions contemplated under the Kiwi Profits Agreement and the Nanjing Huawei Agreement. The basis and details of the independent financial adviser's opinion will be set out in its letter to be included in a circular to be despatched to shareholders of Lee Hing in respect of the Transactions.

CIRCULAR TO SHAREHOLDERS OF LEE HING

A circular containing, amongst other things, details of the Transactions, the advice of the Independent Board Committee to the independent shareholders and the advice of the independent financial adviser to the Independent Board Committee will be despatched to the shareholders of Lee Hing as soon as practicable.

INFORMATION RELATING TO NWD

The principal business of NWD includes investments in the area of property, infrastructure, services and telecommunications and technology.

INFORMATION RELATING TO NWCL

The principal business of NWCL includes property development and property related investments in the PRC.

INFORMATION RELATING TO LEE HING

The principal business of Lee Hing is investment holding. The principal activities of its subsidiaries are investment holding, sale and purchase of long-term listed investments and trading of short-term listed investments.

DEFINITIONS

For the purposes of this announcement, capitalised terms appearing herein shall, unless the context otherwise admits, have the meanings set out below:

“Consideration Shares” 10,911,756 NWCL Shares, being the aggregate of 8,790,616 NWCL Shares to be issued and allotted pursuant to the Kiwi Profits Agreement and 2,121,140 NWCL Shares to be issued and allotted pursuant to the

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	Nanjing Huawei Agreement
“HK2”	HK2 Limited, a company incorporated in Liberia with limited liability and a wholly-owned subsidiary of Lee Hing
“HK3”	HK3 Limited, a company incorporated in Liberia with limited liability and a wholly-owned subsidiary of Lee Hing
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture Interest”	a participating interest representing 12% equity interest in the registered capital of Nanjing Huawei, which represents the entire interest of Lee Hing in Nanjing Huawei prior to the completion of the Nanjing Huawei Agreement
“Kiwi Profits Agreement”	a share purchase agreement dated 25 May 2001 entered into between Steady Profits and HK2 in respect of the sale and purchase of the Sale Shares
“Kiwi Profits”	Kiwi Profits Limited, a company incorporated in the British Virgin Islands with limited liability
“Lee Hing”	Lee Hing Development Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing Huawei”	南京華威地產開發有限公司 (Nanjing Huawei Real Estate Development Company Limited), an equity joint venture company established in the People’s Republic of China
“Nanjing Huawei Agreement”	a sale and purchase agreement dated 25 May 2001 entered into between NWDC and HK3 in respect of the sale and purchase of the Joint Venture Interest
“NWCL”	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“NWCL Shares”	ordinary share(s) of HK\$0.10 each in the share capital of NWCL
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“NWD HI”	NWD (Hotels Investments) Limited, a company incorporated in Hong Kong with limited liability and a 64% owned subsidiary of NWD
“NWDC”	New World Development (China) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of NWCL
“PRC”	the People’s Republic of China
“Sale Shares”	the 3 shares of par value US\$1.00 each, being 30% of the issued share capital of Kiwi Profits, which represents the entire interest of Lee Hing in Kiwi Profits prior to the completion of the Kiwi Profits Agreement
“Steady Profits”	Steady Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of NWCL
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the sale and purchase of the Sale Shares and the Joint Venture Interest

By Order of the Board

New World Development Company Limited

Leung Chi-kin, Stewart

Company Secretary

New World Development Company Limited

By Order of the Board
New World China Land Limited
Chow Yu-chun, Alexander
Company Secretary

By Order of the Board
Lee Hing Development Limited
Chan Kai-kwok
Company Secretary

Hong Kong, 25 May 2001

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

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

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

Please also refer to the published version of this announcement in the SCMP dated 28/5/2001.