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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)

CONTINUING CONNECTED TRANSACTION

The Company and NWD entered into the Master Service Agreement on 30 May 2005 in connection with NWD Group's provision of the Services to the Group relating to the Projects for a term of three years ending on 30 June 2008.

NWD is the controlling shareholder of the Company, which together with its subsidiaries, is holding approximately 72% of the shares of the Company in issue as at the date of this announcement. The transactions contemplated under the Master Service Agreement therefore constitute continuing connected transaction for the Company under the Listing Rules. Given that each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the maximum annual value of the Services agreed to be provided by NWD Group under the Master Service Agreement exceeds 2.5%, the Master Service Agreement is subject to reporting and announcement requirements and Independent Shareholders' approval.

A circular containing details of the Master Service Agreement, a letter from the independent board committee of the Company and a letter of advice from the independent financial advisor to the independent board committee of the Company and the Independent Shareholders together with a notice convening the EGM will be despatched to the shareholders of the Company on or about Friday, 10 June 2005.

BACKGROUND

NWD Group has been providing construction services including construction, piling and foundation, building and property fitting out work and the supply of construction and building materials to the Group's certain property projects. On 26 July 2002, the Stock Exchange granted a general waiver to the Company from strict compliance with the requirements set out in Chapter 14 of the then Listing Rules for a period of three financial years ending on 30 June 2005 in connection with NWD Group's provision of the aforementioned services to the Group.

The Company anticipates that certain construction, engineering and project management services undertaken by NWD Group relating to the project sites of Shanghai Ramada Plaza, Wuhan New World Centre and Dalian New World Plaza amounting to approximately HK\$26.4 million will not be completed (the "**Uncompleted Works**") before 30 June 2005. In addition, the Company agreed to continue to engage NWD Group, and NWD agreed to provide the Services relating to the Projects through any member of NWD Group. Accordingly the Company and NWD entered into the Master Service Agreement on 30 May 2005 under which NWD Group is engaged to provide the Services to the Group relating to the Projects for a term of three years ending on 30 June 2008.

THE MASTER SERVICE AGREEMENT

Terms of the Master Service Agreement

Pursuant to the terms of the Master Service Agreement, the Company agrees to continue to engage NWD Group to provide the Services relating to the Uncompleted Works in accordance with the respective terms as agreed between the parties thereto pursuant to the relevant agreements and to engage NWD Group to provide the Services in relation to the Projects.

The aforementioned engagement is on a non-exclusive basis and is subject to:

- (a) the Tender. The Company has the absolute discretion to engage any third parties to provide the Services during the term of the Master Service Agreement;
- (b) the terms and conditions of the subsequent agreement between the Group and NWD Group should be recorded in writing in the form of an operational agreement (the “**Operational Agreement**”) and the term of each of the Operational Agreement should not exceed 30 June 2008; and
- (c) the terms and conditions of the Operational Agreement which should be in compliance with the relevant laws and regulations in force from time to time and on normal commercial terms or on terms no less favourable than terms available from independent third parties.

The Company and NWD have also agreed that the terms of the Operational Agreement should be, to the extent applicable, the same as the terms of the Master Service Agreement except for operational details.

Pricing Policy

The fees payable for the provision of the Services pursuant to each of the Operational Agreement should be determined on the following basis:

- (a) the PRC government-prescribed price;
- (b) where there is no PRC government-prescribed price but there are PRC government-guided prices, the PRC government-guided prices shall apply;
- (c) where there are neither PRC government-prescribed prices nor PRC government-guided prices, the market prices apply. The market price is defined as the price at which the same type of services are provided by independent third parties in the ordinary course of business; or
- (d) where none of the above is applicable, the prices are to be determined by the relevant parties for the provision of the Services, which shall be the reasonable costs (i.e. prices agreed by the relevant parties after arm’s length negotiations) incurred in providing the same plus a reasonable profit margin.

Maximum Aggregate Annual Value

The Company and NWD expect that the maximum aggregate annual value (the “**annual cap**”) in respect of the Services contemplated under the Master Service Agreement and the Uncompleted Works for each of the financial years ending 30 June 2006, 2007 and 2008 will be as follows:

	Construction Services	Engineering Services	Project Management Services	Total HK\$ (million)
Annual cap for the first financial year ending 30 June 2006	893	159	21	1,073

Annual cap for the second financial year ending 30 June 2007	1,206	175	10	1,391
Annual cap for the third financial year ending 30 June 2008	1,537	170	7	1,714

The above annual caps for the Services have been determined with reference to (a) the aggregate sum payable by the Group to NWD Group relating to the Services continue to be provided by NWD Group in relation to the Uncompleted Works; (b) the prevailing market conditions; (c) the historical figures payable by the Group which were approximately HK\$402 million, HK\$284 million and HK\$260 million for completing an aggregate GFA of 117,260 sq.m., 66,342 sq.m. and 89,301 sq.m. for the three financial years ended on 30 June 2003, 2004 and 2005, respectively, details of which are set forth in the table below; and (d) the projected value and quantity of the Services the Group anticipates NWD Group would undertake assuming that NWD Group would be engaged to provide the Services of all the Projects the Group has invited NWD Group to tender for.

	Construction Services	Engineering Services	Project Management Services	Total
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
Service fee paid to NWD Group for the financial year ended 30 June 2003	388	14	—	402
Service fee paid to NWD Group for the financial year ended 30 June 2004	257	27	—	284
Service fee paid to NWD Group for the financial year ending 30 June 2005	166	94	—	260

The significant increase of the annual cap for the three financial years of 2006, 2007 and 2008 as compared to the three financial years of 2003, 2004 and 2005 is principally due to the significant increase of GFA planned to be developed by the Group in the forthcoming three financial years. The Company has a land bank of an aggregate GFA of approximately 17 million sq.m. spanning over 17 cities in the PRC. With the view that the PRC economy will remain strong and stable in the future, the Board believes that the acceleration of the development pace of the Projects would be generally beneficial to the development of the Group. On this basis, the Company expects that it will invite NWD Group to tender for Services relating to an aggregate GFA of approximately 1 million sq.m. for the forthcoming three financial years. The above annual caps are arrived at by assuming NWD Group is engaged to undertake all the Services it is invited to bid for, and taking into account the complexity of the Services that NWD Group is required to render as the Group will put more emphasis on developing residential and commercial complex in the forthcoming three financial years. Such annual caps are in line with the corresponding historical transaction amounts for the three financial years of 2003, 2004 and 2005 in terms of the service fees payable by the Group to NWD Group per sq.m. and the projection of the Group's future development. In the event that any of the annual caps set forth above is exceeded, the Company will make a further announcement and will comply with the Listing Rules as and when necessary.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER SERVICE AGREEMENT

The Company is principally engaged in property development and property related investment in the PRC. Given that (a) the aggregate GFA planned to develop by the Group is sizable; (b) the Projects would inevitably involve different types of Operational Agreements for different construction sites which are expected to be entered into at different points of time; and (c) the engagement of NWD Group to provide the Services will be on a regular and continuing basis, the Board believes that it is impracticable to seek shareholders' approval each time the relevant Operational Agreement is entered into. The Board therefore resolved to enter into the Master Service Agreement to regulate the future possible business relationship with and the engagement of NWD Group.

In addition, NWD Group is engaged to continue to provide the Services relating to the Uncompleted Works so as to maintain the quality and the continuity and to ensure the smooth operation of the construction works of the uncompleted projects of the Group. The Board believes that the transactions contemplated under the Master Service Agreement will enable the Company to benefit from the expertise, experience, efficiency and economies of scale of NWD Group, which would enable the Company to obtain quality services at competitive prices. On this basis, the executive Directors are of the view that the terms of the Master Service Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

CONTINUING CONNECTED TRANSACTION

NWD is the substantial shareholder of the Company, which together with its subsidiaries, is holding approximately 72% of the shares of the Company in issue as at the date of this Announcement. The transactions contemplated under the Master Service Agreement constitute continuing connected transaction of the Company under Rule 14A.14 of the Listing Rules. Given that each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the maximum annual value of the Master Service Agreement exceeds 2.5%, the Company's engagement of NWD to provide the Services under the Master Service Agreement is subject to the reporting and announcement requirements and Independent Shareholders' approval.

An independent board committee of the Company has been appointed to advise the Independent Shareholders on the terms of the Master Service Agreement. Commerzbank has been appointed as the independent financial advisor to advise the independent board committee of the Company and the Independent Shareholders on the terms of the Master Services Agreement.

A circular containing details of the Master Service Agreement, a letter from the independent board committee of the Company and a letter of advice from the independent financial advisor to the independent board committee of the Company and the Independent Shareholders together with a notice convening the EGM will be despatched to the shareholders of the Company on or about Friday, 10 June 2005.

NWD and its associates and parties acting in concert with them (as defined in the Listing Rules) will abstain from voting on the resolution to approve the Master Service Agreement at the EGM.

DEFINITIONS

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

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|-------------|-----------------------------------------------------------|
| “associate” | has the meaning defined in Chapter 1 of the Listing Rules |
| “Board” | the board of Directors |

“Construction Services”	the construction services to be provided by NWD Group to the Group in connection with any part of the construction work of the Projects including, but not limited to, construction, piling and foundation, building and property fitting out work and the supply of construction and building materials in accordance with the terms of the Master Service Agreement and the relevant Operational Agreement (as defined in this announcement)
“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
“Director(s)”	the director(s) of the Company
“Engineering Services”	the engineering services to be provided by NWD Group to the Group in connection with the Projects including, but not limited to, civil, electrical and mechanical engineering works in accordance with the terms of the Master Service Agreement and the relevant Operational Agreement (as defined in this announcement)
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Master Service Agreement
“Group”	the Company and its subsidiaries from time to time
“GFA”	gross floor area
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Shareholders”	shareholders of the Company other than NWD, its associates and parties acting in concert with them
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Master Service Agreement”	the agreement entered into by the Company and NWD dated 30 May 2005 in connection with the provision of Services by NWD Group to the Group
“NWD”	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
“NWD Group”	NWD, its subsidiaries and/or their associates from time to time

“Project Management Services”	the project management services to be provided by NWD Group to the Group in connection with the management of the Projects including, but not limited to, the selection of professional consultants in the PRC and abroad (including architects, design consultants, structural engineers, electrical and mechanical engineers and quantity surveyors), the liaison with all relevant parties involved in the Projects, the review of budgets, designs, proposals and schedule of the Projects and the supervision of the development costs and progress thereof, in accordance with the terms of the Master Service Agreement and the relevant Operational Agreement (as defined in this announcement)
“Projects”	the property development projects owned by or interested in by the Group from time to time
“PRC”	the People’s Republic of China
“Services”	the Construction Services, Engineering Services, Project Management Services and any other services relating to the Projects as the Company may see fit from time to time. For the avoidance of doubt, the Services include the services relating to the Uncompleted Works (as defined in this announcement)
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “holding company”	has the meaning defined in section 2 of the Companies Ordinance
“Tender”	the tender procedures for selecting contractors relating to the provision of the Services contemplated under the Master Service Agreement which are in compliance with the relevant PRC laws, rules and regulations from time to time
“%”	per cent.

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

Hong Kong, 30 May, 2005

At the date of this announcement: (a) the executive Directors of the Company are Dr. Cheng Kar-shun, Henry, Mr. Doo Wai-hoi, William, Mr. Cheng Kar-shing, Peter, Mr. Leung Chi-kin, Stewart, Mr. Chow Kwai-cheung, Mr. Chow Yu-chun, Alexander and Mr. Fong Shing-kwong, Michael; (b) the non-executive Director of the Company is Mr. Fu Sze-shing and (c) the independent non-executive Directors of the Company are Mr. Cheng Wai-chee, Christopher, Mr. Tien Pei-chun, James and Mr. Lee Luen-wai, John.

*Please also refer to the published version of this announcement in the (**The Standard**)*