

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 Board wishes to announce that the Company and NWDS entered into the Master Leasing Agreement on 1 March 2007 in relation to the leasing of certain Premises from the Group for an initial term of three years commencing from the date of approval at the EGM and renewable for successive terms of three years upon its expiry.

By virtue of the fact that NWDS is a wholly-owned subsidiary of NWD, the controlling shareholder of the Company, the transactions contemplated under the Master Leasing Agreement therefore constitute continuing connected transactions 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 rental and management fees expected to be payable by NWDS Group to the Group for leasing the Premises exceeds 2.5%, the Master Leasing Agreement is subject to reporting and announcement requirements and Independent Shareholders' approval under the Listing Rules.

A circular containing details of the Master Leasing Agreement, a letter from the independent board committee of the Company and a letter of advice from the independent financial adviser 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 as soon as practicable.

BACKGROUND

The Group has been leasing certain Premises to members of NWDS Group under the Leasing Agreements which have not expired as at the date of this announcement. It is the intention of both the Company and NWDS to continue with the leasing of the Premises (namely, Tianjin New World Shopping Centre and New World Hotel, Shenyang) pursuant to the terms of the respective Leasing Agreements, details of which were announced by the Company on 15 March 2004 and 17 May 2006, and to enter into new leasing agreements for the possible leasing of new Premises. Accordingly, the Company and NWDS entered into the Master Leasing Agreement on 1 March 2007 under which the respective rights and obligations of both the Group and NWDS in connection with (i) the Leasing Agreements; and (ii) possible leasing of new Premises during the term of the Master Leasing Agreement, are set out.

MASTER LEASING AGREEMENT

Major terms

Pursuant to the terms of the Master Leasing Agreement, the Company agrees to lease to NWDS Group the Premises and NWDS Group agrees to lease the Premises from the Group in accordance with the following terms:

- (1) in respect of the Leasing Agreements which have not expired as at the date of the Master Leasing Agreement, all terms agreed among the parties thereto in respect of the Leasing Agreements shall remain in full force notwithstanding the terms of the Master Leasing Agreement;
- (2) save for the Leasing Agreements, the Company agrees to lease the Premises through itself and/or any member of the Group to NWDS Group in accordance with the terms of the Master Leasing Agreement at the request of NWDS Group subject to the subsequent agreement of the terms and conditions by the parties thereto in relation to each particular Premises which shall be recorded in writing in the form of a leasing agreement, on normal commercial terms or on terms no more favourable than terms available to independent third parties; and
- (3) the leasing of Premises by the Group to NWDS Group is on a non-exclusive basis.

Rental

The rental and management fees for each of the Premises to be leased by any member of NWDS Group from the Group during the term of the Master Leasing Agreement shall be determined by the parties thereto in writing at the price which such Premises are leased to independent third parties in the ordinary course of business.

Term

The Master Leasing Agreement has an initial term of three years commencing from the date of approval at the EGM and is renewable for successive terms of three years upon its expiry unless terminated by either party in writing.

Maximum annual rental value

The Company and NWDS expect that the maximum annual rental and management fees (the “annual cap”) in respect of the leases for each of the financial years ending 2009, including those arising from the Leasing Agreements, will not exceed HK\$103,000,000. This annual cap has been determined with reference to:

- (1) the prevailing and forecasted retail market conditions in the PRC;
- (2) the total rental and management fees paid and payable by NWDS Group to the Group under the Leasing Agreements and the total annual caps of HK\$64,300,000 for the Leasing Agreements previously approved by the Stock Exchange; and
- (3) the estimated rental and management fees payable by NWDS Group with respect to the possible leasing of new Premises from the Group for the new department stores expected to be opened by NWDS Group, assuming the rental is determined on a similar basis as those of the Leasing Agreements.

Historical figures

The yearly rental under the Leasing Agreements is determined as the higher of (i) a fixed rental; and (ii) a percentage of the gross sales revenue of the tenant. The total rental and management fees paid by NWDS Group to the Group under the Leasing Agreements amounted to HK\$22,289,000 for the financial year ended 30 June 2004, representing the three months rental and management fees paid under the Tianjin Tenancy Agreement which was entered into in March 2004. The total rental and management fees paid by NWDS Group to the Group under the Leasing Agreements amounted to HK\$43,126,000 and HK\$46,759,000 for the past two financial years ended 30 June 2005 and 30 June 2006, respectively, representing the rental and management fees paid under both the Tianjin Tenancy Agreement and the Shenyang Tenancy Agreement which was entered into in May 2006.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER LEASING AGREEMENT

The Company is principally engaged in the property development, property investment and property related business in the PRC. NWDS is principally engaged in the business of owning and managing department stores in the PRC. Given that the Company has been leasing its Premises to NWDS Group on a regular and continuing basis, the Board believes that it is impracticable to seek shareholders’ approval each time the relevant leasing agreement is entered into. The Board therefore resolved to enter into the Master Leasing Agreement to regulate the future possible business relationship with NWDS Group.

CONTINUING CONNECTED TRANSACTION

NWD is the controlling shareholder of the Company and is holding approximately 70% attributable interest in the issued share capital of the Company. By virtue of the fact that NWDS is a wholly-owned subsidiary of NWD, the transactions contemplated under the Master Leasing Agreement constitute continuing connected transactions 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 rental and management fees expected to be payable by NWDS Group to the Group for leasing the Premises exceeds 2.5%, the Master Leasing Agreement is subject to reporting and announcement requirements and Independent Shareholders’ approval under the Listing Rules.

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

As required by Rule 14A.35 of the Listing Rules, where the term of any subsequent leasing agreements to be entered into between the Company and NWDS is longer than 3 years, an independent financial adviser will be appointed to advise and confirm that it is normal business practice for the leasing agreements to be of such duration, details of which will be disclosed in the next annual report of the Company after the date of such leasing agreements.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

DESPATCH OF CIRCULAR

A circular containing details of the Master Leasing Agreement, a letter from the independent board committee of the Company and a letter of advice from the independent financial adviser 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 as soon as practicable.

DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meanings:

“Board”	the board of Directors
“Company”	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange
“Commerzbank”	Commerzbank AG acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) and an authorised financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO, and appointed as the independent financial adviser to the independent board committee and the Independent Shareholders in relation to the Master Leasing Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Master Leasing Agreement
“Group”	the Company and/or its subsidiaries from time to time
“Hong Kong”	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 (as defined in the Listing Rules) and parties acting in concert with them
“Leasing Agreements”	the Shenyang Tenancy Agreement and the Tianjin Tenancy Agreement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Master Leasing Agreement”	the agreement entered into by the Company and NWDS dated 1 March 2007 in relation to the leasing of Premises
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Stock Exchange
“NWDS”	New World Department Stores (Holdings) Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of NWD
“NWDS Group”	NWDS and/or its subsidiaries from time to time
“PRC”	the People’s Republic of China
“Premises”	the premises owned by the Group from time to time

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shenyang Tenancy Agreement”	the tenancy agreement dated 17 May 2006 entered into between Shenyang Trendy Property Company Limited, a wholly-owned subsidiary of the Company, and Shenyang New World Department Store Ltd., a member of the NWDS Group, with an initial term of three years commencing from 1 May 2006 and is renewable for successive terms of three years upon its expiry at the discretion of the tenant. Details of the agreement were announced by the Company on 17 May 2006
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning as defined in section two of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Tianjin Tenancy Agreement”	the tenancy agreement dated 15 March 2004 entered into between New World Anderson (Tianjin) Development Co. Ltd., a wholly-owned subsidiary of the Company, and Tianjin Trendy New World Plaza Co., Ltd., a member of the NWDS Group, with a term of twenty years commencing from 15 March 2004. Details of the agreement were announced by the Company on 15 March 2004 and 3 November 2006
“%”	per cent.

By Order of the Board of
New World China Land Limited
Ngan Man-ying, Lynda
Company Secretary

Hong Kong, 1 March 2007

At the date of this announcement, the Board comprises: (a) 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, Mr. Fong Shing-kwong, Michael and Ms. Ngan Man-ying, Lynda as executive Directors; (b) Mr. Fu Sze-shing as non-executive Director; and (c) Mr. Cheng Wai-chee, Christopher, Mr. Tien Pei-chun, James and Mr. Lee Luen-wai, John as independent non-executive Directors.

“Please also refer to the published version of this announcement in The Standard.”