

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.

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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

**Independent Financial Advisor to the Independent Board Committee
and the Independent Shareholders**

COMMERZBANK 

A letter of advice from Commerzbank to the Independent Board Committee (as defined herein) and the Independent Shareholders (as defined herein) is set out on pages 11 to 19 of this circular. The letter of the Independent Board Committee is set out on page 10 of this circular. Any person who is in doubt about his/her position is recommended to consult his/her professional advisor.

A notice convening the EGM (as defined herein) to be held at 11:00 a.m. on Tuesday, 28 June 2005 at Concord Room I, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Hong Kong is set out on pages 34 to 35 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.

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DEFINITIONS

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

“associate(s)”	having the same meaning as 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
“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 SFO 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 and the Independent Shareholders in relation to the Continuing Connected Transaction
“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 Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Continuing Connected Transaction”	the continuing connected transactions (as defined in the Listing Rules) contemplated under the Master Service 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 Continuing Connected Transaction
“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
“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

DEFINITIONS

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Board Committee”	a committee of the Board, comprising Messrs. Cheng Wai-chee, Christopher and Tien Pei-chun, James, which is formed to advise the Independent Shareholders in relation to the Continuing Connected Transaction. Mr. Lee Luen-wai, John is the independent non-executive director of both the Company and NWD and hence, he is not a member of the committee of the board
“Independent Shareholders”	Shareholders other than NWD, its associates and parties acting in concert with them
“Latest Practicable Date”	7 June 2005, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Master Service Agreement”	the agreement dated 30 May 2005 entered into by the Company and NWD 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
“Operational Agreement(s)”	the operational agreement(s) to be subsequently entered into between any member of the Group and any member of NWD Group, detailing the terms and conditions of the Services to be provided by any member of NWD Group relating to the Projects
“Projects”	the property development projects owned by or interested in by the Group 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
“PRC”	the People’s Republic of China

DEFINITIONS

“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 circular)
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	shareholder(s) of the Company
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “holding company”	has the meaning as 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.



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

10 June 2005

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

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 with an aggregate service fee amounting to approximately HK\$26.4 million will not be completed on or before 30 June 2005 (the "Uncompleted Works"). 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

LETTER FROM THE BOARD

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 purpose of this circular is to provide you with details on the Continuing Connected Transaction, the recommendation of the Independent Board Committee and the advice of Commerzbank in respect of the Continuing Connected Transaction, and to give notice of the EGM thereof.

MASTER SERVICE AGREEMENT

Summary of the Master Service Agreement

Parties	(1) the Company (2) NWD
Date	30 May 2005
Term	1 July 2005 to 30 June 2008
Subject	the Company agrees to engage NWD Group, and NWD (for and on behalf of NWD Group) agrees to provide the Group, the Services relating to the Projects

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 approval of the Independent Shareholders at the EGM;
- (b) 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;
- (c) the terms and conditions of the subsequent agreement between the Group and NWD Group which should be recorded in writing in the form of the Operational Agreement. The term of each of the Operational Agreement should not exceed 30 June 2008; and
- (d) 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, the same as the terms of the Master Service Agreement (to the extent applicable) and on normal commercial terms or on terms no less favourable than terms available from independent third parties.

LETTER FROM THE BOARD

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 Continuing Connected Transaction 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
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
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 of approximately HK\$26.4 million 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 to NWD Group which were approximately HK\$402 million, HK\$284 million and HK\$260 million for the completion by NWD Group of an aggregate GFA of 117,260 sq.m., 66,342 sq.m. and 89,301 sq.m. for the three financial years of 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.

LETTER FROM THE BOARD

	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 caps 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 the 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 tender 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 last three financial years in terms of the service fee 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 are 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 be developed 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 the 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 Works. The Board believes that the Continuing Connected Transaction will enable the Company to benefit from the expertise,

LETTER FROM THE BOARD

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 Directors (including the independent non-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 the 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 Latest Practicable Date. The Continuing Connected Transaction contemplated under the Master Service Agreement constitutes 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.

The Independent Board Committee has been appointed to advise the Independent Shareholders on the terms of the Continuing Connected Transaction. Commerzbank has been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

There is set out on pages 34 to 35 of this circular a notice convening the EGM to be held at 11:00 a.m. on Tuesday, 28 June 2005 at Concord Room 1, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Hong Kong, at which resolution will be proposed to consider and, if thought fit, to approve by the Shareholders the Continuing Connected Transaction.

NWD, its associates and parties acting in concert (as defined in the Listing Rules) with them will abstain from voting on the resolution as set out in the notice of the EGM to approve the Continuing Connected Transaction and such resolution will be taken on poll pursuant to the Listing Rules.

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.

RECOMMENDATION

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 Continuing Connected Transaction.

LETTER FROM THE BOARD

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

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

The Directors consider the terms of the Continuing Connected Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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)

10 June 2005

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

We refer to the letter from the Board set out in the circular dated 10 June 2005 (the "Circular") of which this letter forms part. Capitalised terms defined in the Circular shall have the same meaning when used herein unless the context otherwise requires.

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

RECOMMENDATION

We wish to draw your attention to the letter from the Board and the letter from Commerzbank to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the Continuing Connected Transaction 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 Continuing Connected Transaction 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 Continuing Connected Transaction 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 10 June 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

10 June 2005

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

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 transactions contemplated under the Master Service Agreement (the “**Continuing Connected Transactions**”), the definition of which, amongst other things, is set out in the circular dated 10 June 2005 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context requires otherwise.

Our role as the independent financial advisor to the Independent Board Committee is to give our advice and recommendation to the Independent Shareholders on the non-exempt Continuing Connected Transactions as to whether they are fair and reasonable, on normal commercial terms, and are in the interests of the Company and the Independent Shareholders as a whole.

In formulating our opinion, we have relied on the information and facts supplied to us by the Company. We have assumed that all information, opinion 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. We have also relied on the representations of the Company that having made all due enquiries and careful decisions, and to the best of its 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 provided to us by the Company, and for which they are 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.

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 Latest Practicable Date. The transactions contemplated under the Master Service 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 value of the Services agreed to be provided by the 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.

We consider that we have reviewed sufficient information to enable us to reach an informed view regarding the terms of the Continuing Connected Transactions, and 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 Group, nor have we conducted any independent in-depth investigation into the business and affairs of the Group.

A. CONTINUING CONNECTED TRANSACTIONS

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the overall fairness and reasonableness of the Continuing Connected Transactions 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. 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 certain requirements of the then Listing Rules for a period of three financial years ending on 30 June 2005 in connection with the NWD Group's provision of the aforementioned services to the Group.

The Company anticipates that certain services undertaken by the NWD Group will not be completed before 30 June 2005 (the "**Uncompleted Works**"). In addition, the Company agreed to continue to engage the NWD Group, and NWD agreed to provide the Services through itself and/or its subsidiaries (including their associates) relating to the Projects. Accordingly, the Company and NWD entered into the Master Service Agreement on 30 May 2005 under which the 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 Company and NWD expect that the maximum aggregate annual value (the "**Annual Caps**") in respect of the transactions contemplated under the Master Service Agreement for each of the financial years ending 30 June 2006, 2007 and 2008 will be as follows:

	<i>HK\$</i>
Annual Cap for the first financial year ending 30 June 2006	1,073 million
Annual Cap for the second financial year ending 30 June 2007	1,391 million
Annual Cap for the third financial year ending 30 June 2008	1,714 million

In determining whether the above Annual Caps proposed by the Company are fair and reasonable in so far as the Independent Shareholders are concerned, we have reviewed and discussed with the Directors the basis for setting the respective Annual Caps for the above Continuing Connected Transactions.

2. Terms and the pricing policies of the Continuing Connected Transactions

The Master Services Agreement is for a term of three years. We discussed with the Directors and have reviewed the agreement and noted, *inter alia*, the following terms and the pricing policies of the Continuing Connected Transactions:

2.1 Terms of the Master Service Agreement

Pursuant to the terms of the Master Service Agreement, the Company agrees to continue to engage the NWD Group, on a non-exclusive basis, to provide the Services (including the Uncompleted Works) in accordance with the respective terms and is subject to:

- (i) the approval of the Independent Shareholders at the EGM;
- (ii) tender procedure, in which the Company has the absolute discretion to engage any third parties to provide the Services during the term of the Master Service Agreement;
- (iii) the terms and conditions of the subsequent agreement between the Group and the NWD Group should be recorded in writing in the form of an Operational Agreement. The terms of each of the Operational Agreement should not exceed 30 June 2008; and
- (iv) the terms and conditions of the Operational Agreement 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.

2.2 Pricing Policy

In addition to the overall principles as set out in the Master Service Agreement, the fees payable for the provision of the Services pursuant to each of the Operational Agreement should be determined on the following basis:

- (i) the PRC government-prescribed price;
- (ii) where there is no PRC government-prescribed price but there are PRC government-guided prices, the PRC government-guided prices shall apply;
- (iii) 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

- (iv) 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. We understand from the Directors that the profit margin ranges from 0.6% to 3%, depending on the nature of the construction work.

3. Basis for the Continuing Connected Transactions

In considering the overall fairness and reasonableness of the Continuing Connected Transactions, we have reviewed and discussed with the Directors the overall tender policies to assess whether the Services will be entered into on an arm's length basis and on normal commercial terms that are fair and reasonable in so far as the Group and the Independent Shareholders are concerned.

We have discussed with the Directors and understand that all construction contracts, including but not limited to construction, piling and foundation, building and property fitting out work, supply of construction and building materials, electrical engineering within the Group are awarded to contractors by way of tender. We note that the Group has in place a stringent procedure for awarding contracts, and the Company selects the tenderer within the pre-approved tenderer list for the relevant contract. Written tender procedures have been in place since 1992, which are subject to periodic review by the management. Revised tender procedures are set out as work instruction memo for circulation to all relevant working parties within the Group.

3.1 Tender procedures

We understand from the Directors that the Group has different tenderer lists in different regions for different types of construction works, in which the NWD Group is amongst one of them. We have been informed by the Directors that the NWD Group has been involved in the Company's construction services since 1992 and has never been removed or suspended for tendering construction contracts by the Company.

We have further discussed with the Directors and understand that there are at least 10 categories of construction works in each property project, including but not limited to piling and foundation, superstructure construction, landscaping, fire system installation and public utilities work. For each category of construction work, the Group invites at least five to six qualified tenderers to submit tender proposals for the project. In this connection, we note that there are over 50 qualified tenderers invited to bid for different categories of construction work for each property project.

In determining the successful tenderer for each contract, apart from the best offer in terms of monetary value, the Directors also take into consideration the following factors:

- (i) the anticipated duration of the contract proposed by the tenderer;
- (ii) the qualification of the tenderer (i.e. the prescribed grade or licence obtained by the tenderer for specific type of construction work);
- (iii) historical performance, previous track records and reputation; and

LETTER FROM COMMERZBANK

(iv) financial capabilities of the tenderer.

Set out below is the total contract cost incurred/projected for projects undertaken by the Group and the portion attributable to the Services being provided by the NWD Group for the three financial years ending 30 June 2005:

	2003	2004	2005 (projected)
	<i>HK\$ (Million)</i>	<i>HK\$ (Million)</i>	<i>HK\$ (Million)</i>
Total construction cost incurred for projects undertaken by the Group	1,508	1,662	714
Total construction cost incurred for projects awarded to the NWD Group:			
(i) Construction services	388	257	166
(ii) Engineering services	14	27	94
(iii) Project management service	—	—	—
Total	402	284	260
Total percentage awarded to the NWD Group	26.7%	17.1%	36.4%

3.2 Basis of the pricing policy

We have discussed with the Directors the pricing policy and noted that the same pricing mechanism has been applied for previous and existing contracts. We have also made reference to the gross profit margin of the following three comparable companies listed on the Hong Kong Stock Exchange (the “**Comparable Companies**”) which have property contracting business in the PRC. However, (i) since different categories of construction works may have different profit margins; (ii) the gross profit margin of the Comparable Companies is an overall gross profit margin (which business includes property development and other non-construction business); and (iii) the Comparable Companies have both PRC and non-PRC construction projects, therefore, the gross profit margins of the Comparable Companies are not used as a direct comparison to the pricing policy of the Group, but rather serve as a reference to us in determining whether the pricing policy as set out in the Master Service Agreement is reasonable.

Comparable Companies	Bloomberg Code	Gross Profit Margin
China Overseas Land and Investment Ltd.	688 HK	18.6%
Hsin Chong Construction Group Ltd.	404 HK	6.2%
Deson Development International Ltd.	262 HK	16.2%
Average		13.7%

Source: The gross profit margin of the Comparable Companies are extracted from Bloomberg for the financial year ended 31 December 2004

We note that the fees payable by the Company as set out in the Master Service Agreement is subject to, firstly, PRC government-prescribed price; failing which the PRC government-guided prices and thereafter, the market price. Given that (i) the cost plus a reasonable profit margin mechanism will only be used if the government-

prescribed or the market pricing mechanisms is exhausted; (ii) the pricing mechanisms as set out in the Master Service Agreement has been in place for over 13 years; and (iii) as we understand from the Directors, the “reasonable profit margin” applied ranged from 0.6% to 3%, which is below the range of the average gross profit margin of the Comparable Companies, we are of the view that the pricing policy under the Master Service Agreement is fair and reasonable.

Having considered the above as a whole, given (i) the terms and the pricing policy in awarding contracts to the NWD Group; in particular, the non-exclusivity engagement of the NWD Group; (ii) the Company’s internal tendering procedures; and (iii) the experience and market position of the NWD Group in the provision of the Services, we are of the view that the terms of the Master Service Agreement are fair and reasonable.

B. PROPOSED ANNUAL CAPS ON THE CONTINUING CONNECTED TRANSACTIONS

4.1 Reasons for the Annual Caps

As mentioned in the Letter from the Board, the existing waiver on the Services will expire on 30 June 2005. The Continuing Connected Transactions will be subject to, among other things, the relevant annual monetary limit for each financial year up to 30 June 2008 (the “**Annual Caps**”). As stated in the Letter from the Board of the Circular, the Company proposes to set the following Annual Caps for the Continuing Connected Transactions under the Master Service Agreement for the Group:

	Proposed Annual Monetary Cap for each of the financial year ending 30 June		
	2006	2007	2008
	<i>HK\$ (Million)</i>		
Construction services*	893	1,206	1,537
Engineering services*	159	175	170
Project management services*	21	10	7
Total Annual Caps	1,073	1,391	1,714

* All Services to be provided under the Master Service Agreement are broken down into three categories for easy reference.

4.2 Basis of the Annual Caps

In determining whether the above Annual Caps proposed by the Company are fair and reasonable in so far as the Independent Shareholders are concerned, we have reviewed and discussed with the Directors the basis for setting the respective Annual Caps for the above Continuing Connected Transactions.

We have discussed with the Directors and noted that the above projected figures are determined based on the internal projections with reference to the land development schedule of the various property projects of the Group in the PRC in the next three years, taking into account the estimated future demand for properties in light of the economic environment in the PRC. The Group is one of the prominent property development groups

with significant land bank and development projects in the PRC since 1992. Based on our discussions with the Directors, we understand that the NWD Group has been one of the major contractors of certain construction services of the Group in the last 13 years.

Save for the project management services, we note that there is a significant increase in the Annual Caps as compared to the annual caps for the past three financial years, in particular, from the year ending 30 June 2005 to the year ending 2006. We have discussed with the Directors and note the followings:

(i) *The existing service fees paid to the NWD Group*

We understand from the Directors that majority of the Group's existing construction projects commenced a few years ago have been or will be completed by the financial year ending 30 June 2005. As noted in the table as set out in section 3.1 above, as a result of the completion of the existing construction projects, total construction costs incurred for construction projects undertaken by the Group for the year ending 30 June 2005 has dropped over 50% as compared to the year ended 30 June 2004.

(ii) *Overall real estate market in the PRC*

Notwithstanding the credit tightening rules and the recent restrictive property measures promulgated by the PRC government in an attempt to cool-off the real estate market in the PRC, the real estate market in the PRC has continued to experience increasing demand, driven by increased disposable income of people in the cities. In accordance with the latest report issued by the Peoples' Bank of China, fixed assets investment in Shanghai will continue to increase at a rate of approximately 20% in 2005. Moreover, we have reviewed market research reports and noted that there is a market consensus of a positive outlook on PRC's real estate market in the long-run, which will be benefited from continuing economic growth, capital inflows and anticipation of the revaluation of renminbi. However, the real estate market may still be subject to administrative and policy risk in the short-term.

(iii) *The Group's expansion policy*

We understand that the Company is a national real estate developer in the PRC with land bank of approximately 17 million sq.m. spanning over 17 cities. We have reviewed the property development schedule prepared by the management and based on our discussion with the Directors, we note that the Group has planned to commence substantial real estate development in Shanghai, Wuhan, Dalian and Shenzhen in the next three years.

We have reviewed the property development schedule prepared by the management and noted that the proposed increase in the Annual Caps for the Services under the Master Service Agreement is significantly higher than those in the past three years. The Directors explained that such increase will be mainly attributable to:

- (a) the Group's commitment in the PRC property market and hence the demand for construction services;

- (b) the HK\$6,400 million rights issue recently completed by the Company, which will be used to fund the development cost of the Group's property development projects in the PRC;
- (c) the Group's corporate strategy to speed up development pace of the Group's development projects of which their projected annual construction cost to be incurred shall be comparatively higher than in previous years;
- (d) comparatively sizeable property projects are scheduled to be undertaken in the coming three years. As set out in the Letter from the Board of the Circular, the Company expects that it will invite the NWD Group to tender for Services relating to contracts with an aggregate GFA of approximately 1,000,000 sq.m. for the coming three years, the majority of which will comprise of sizeable property complexes located in Shanghai, Wuhan and Dalian. These development projects to be undertaken in the forthcoming three years comprise mainly of sizeable mixed-usage complexes with residential, commercial, shopping arcade and hotels in one single project site. These projects will be developed in different phases and of higher complexity in construction than the Group's previous residential project development. In this connection, this will inevitably increase the timing of the construction process and hence the construction costs; and
- (e) as a result of the completion of a number of projects for the financial year ending 30 June 2005 (the corresponding GFA completed in respect of contracts already granted to the NWD Group was 117,260 sq.m., 66,342 sq.m. and 89,301 sq.m. for the financial years ended on 30 June 2003, 2004 and 2005, respectively), new development projects will commence construction immediately. As such, the Annual Cap for the financial year ending on 30 June 2006 represents a significant increase from the Annual Cap in 2005.

(iv) *Project Management Services*

We understand from the Directors that the Company will engage project managers to oversee and supervise the progress and development of sizeable construction projects. Given that the Company will be involved in several sizeable projects in Shanghai, Wuhan and Dalian, an additional category of services for project management is identified. The basis of the monetary limit under this category is based on the Company's expectation that it will invite the NWD Group to tender for project management services with an aggregate GFA of approximately 1,000,000 sq.m. for the coming three years, and the related fees (of which the pricing will be governed by the Master Service Agreement).

4.3 Overall Conclusion

We have reviewed the projections taking into account (i) the historical figures on the total construction costs incurred for projects undertaken by the Group; (ii) the positive outlook of the property and construction market in PRC in the next few years; (iii) the Group's property development schedule, estimated total GFA to be developed by the Group and the total construction costs to be incurred by the Group in the next three years; (iv) the Annual Caps are calculated based on the aggregate GFA and the related construction

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costs for approximately 1,000,000 sq.m. that the Group will invite the NWD Group to tender, which is only part of the total GFA to be developed by the Company in the next three years; (v) the projected percentage of contracts sum to be awarded to the NWD Group in the next three years is in line with the percentage of the actual contract sum awarded to the NWD Group for the past three years; (vi) the chance of the NWD Group in winning respective construction contracts in the tendering process due to its good track record, extensive past experience, and good relationship with the Group; (vii) the completion of the existing projects and the commencement of construction on new and sizeable property projects; and (viii) the land development schedule for the Company's real estate projects and construction cycle, which takes years for planning, development and completion.

Given (i) the Company's expansion policy in accelerating the development pace of the Group's real estate development projects; (ii) individual contractual sum for individual project will be much higher as a result of the scale of the projects, coupled with the chance of the NWD Group in winning the contracts; and (iii) in order to allow the Group to seek continuous co-operation with the NWD Group, which has been on-going for more than 13 years, the Directors now seek the Independent Shareholders' approval of the Continuing Connected Transactions and the Annual Caps. When setting the new Annual Caps, the Directors made projections of the Services over the next three years based on, amongst other factors, the positive economic growth of the PRC and the projected project development schedule for the three years ending 30 June 2008. The Annual Caps for 2007 and 2008 are considered by the Directors to be a reasonable buffer for future growth of the real estate property business of the Group in the PRC.

Having considered the above as a whole, we are of the view that the Annual Caps for the Services under the Master Service Agreement are fair and reasonable.

OVERALL RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the view that the Continuing Connected Transactions and the Annual Caps are fair and reasonable, on normal commercial terms, and are in the interests of the Company and its Shareholders as a whole.

We therefore 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 Continuing Connected Transactions and the Annual Caps.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests or short positions of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or will be required to be recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(I) Interests and short positions in the shares, underlying shares and debentures of the Company

(a) Long positions in issued shares

Name of Director	Nature of interest	Number of ordinary shares held	Percentage to the existing issued share capital as at the Latest Practicable Date
Dr. Cheng Kar-shun, Henry	Corporate	52,271,200 (note 1)	1.39
Mr. Doo Wai-hoi, William	Personal	1,750,000	0.05
Mr. Doo Wai-hoi, William	Corporate	45,050,000 (note 2)	1.20
Mr. Cheng Kar-shing, Peter	Personal	130,000	0.003
Mr. Leung Chi-kin, Stewart	Personal	500,000	0.01
Mr. Chow Kwai-cheung	Personal	400,126	0.01
Mr. Fong Shing-kwong, Michael	Personal	600,000	0.02

Notes:

- (1) These shares were beneficially owned by a company wholly-owned by Dr. Cheng Kar-shun, Henry.
- (2) These shares were beneficially owned by a company wholly-owned by Mr. Doo Wai-hoi, William.

(b) Long position in underlying shares

Under the share option scheme of the Company adopted on 18 December 2000, the Directors were granted share options which entitled them to subscribe for shares of the Company and accordingly they are regarded as interested in the underlying shares of the Company. Details of the share options held by the Directors as at the Latest Practicable Date were as follows:

Name of Director	Date of grant (note 1)	Number of shares entitled to subscribe for under the share options (note 2)
Dr. Cheng Kar-shun, Henry	7 February 2001	12,500,000
Mr. Doo Wai-hoi, William	8 February 2001	7,000,000
Mr. Cheng Kar-shing, Peter	9 February 2001	3,550,000
Mr. Chow Yu-chun, Alexander	8 February 2001	6,250,000
Mr. Chow Kwai-cheung	9 February 2001	250,000
Mr. Fong Shing-kwong, Michael	17 February 2001	<u>1,000,000</u>
	Total:	<u><u>30,550,000</u></u>

Notes:

- (1) The share options are exercisable within five years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total share options granted together with any unexercised share options carried forward from the previous anniversary year(s).
- (2) This represents the total number of shares of the Company each relevant option holder is entitled to subscribe for pursuant to his exercise of the outstanding share options subject to the terms and conditions of the share option scheme. Such number was adjusted on 9 April 2005 as a result of the Company's issue of rights shares becoming unconditional on 8 April 2005.
- (3) The cash consideration paid by each Director for each grant of the share options is HK\$10.

(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

(a) Long position in the shares of the associated corporations of the Company

Name of company/Director	Number of shares/amount of registered capital				Percentage to the relevant issued share capital as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests	Total	
New World Development Company Limited					
(Ordinary shares of HK\$1 each)					
Mr. Leung Chi-kin, Stewart	32,553	—	—	32,553	0.001
Mr. Chow Kwai-cheung	43,000	—	—	43,000	0.001
New World Mobile Holdings Limited					
(Ordinary shares of HK\$1 each)					
Mr. Fong Shing-kwong, Michael	6,580	—	—	6,580	0.008
New World TMT Limited					
(Ordinary shares of HK\$1 each)					
Dr. Cheng Kar-shun, Henry	—	1,000,000	—	1,000,000	0.11
Mr. Doo Wai-hoi, William	—	—	12,000,000 (note 1)	12,000,000	1.26
NWS Holdings Limited					
(Ordinary shares of HK\$1 each)					
Dr. Cheng Kar-shun, Henry	2,000,000	587,000	—	2,587,000	0.14
Mr. Doo Wai-hoi, William	1,333,333	—	826,000 (note 1)	2,159,333	0.12
Mr. Cheng Kar-shing, Peter	333,333	—	2,659,700 (note 2)	2,993,033	0.17
Mr. Leung Chi-kin, Stewart	3,526,630	—	84,607 (note 3)	3,611,237	0.20
Mr. Chow Kwai-cheung	2,264,652	—	—	2,264,652	0.13
Mr. Chow Yu-chun, Alexander	2,330,418	—	—	2,330,418	0.13
Mr. Fong Shing-kwong, Michael	2,197,373	—	—	2,197,373	0.12
Mr. Cheng Wai-chee, Christopher	400,000	—	—	400,000	0.02
Dragon Fortune Limited					
(Ordinary shares of US\$1 each)					
Mr. Cheng Kar-shing, Peter	—	—	15,869 (note 4)	15,869	27.41

Name of company/Director	Number of shares/amount of registered capital				Percentage to the relevant issued share capital as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests	Total	
Faith Yard Property Limited					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	1 <i>(note 1)</i>	1	50.00
Fortune Star Worldwide Limited					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	60 <i>(note 1)</i>	60	60.00
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	—	—	3,000,000 <i>(note 5)</i>	3,000,000	30.00
Grand Make International Limited					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	10 <i>(note 1)</i>	10	10.00
Master Services Limited					
(Ordinary shares of US\$0.01 each)					
Mr. Leung Chi-kin, Stewart	16,335	—	—	16,335	1.63
Mr. Chow Kwai-cheung	16,335	—	—	16,335	1.63
Mr. Chow Yu-chun, Alexander	16,335	—	—	16,335	1.63
Nanjing New World Chang Jiang Equipment Co. Ltd.					
(Registered capital in RMB)					
Mr. Doo Wai-hoi, William	—	—	5,357,275 <i>(note 1)</i>	5,357,275	21.18
Nanjing Xinlidao Property Development Limited					
(Registered capital in HK\$)					
Mr. Doo Wai-hoi, William	—	—	21,000,000 <i>(note 1)</i>	21,000,000	35.00
Ramada Property Ltd.					
(Ordinary shares of US\$1 each)					
Mr. Doo Wai-hoi, William	—	—	200 <i>(note 1)</i>	200	20.00

Name of company/Director	Number of shares/amount of registered capital				Percentage to the relevant issued share capital as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests	Total	
Shanghai Ju Yi Real Estate Development Co., Ltd. (Registered capital in RMB) Mr. Doo Wai-hoi, William	—	—	105,000,000 <i>(note 5)</i>	105,000,000	30.00
Shanghai Trio Property Development Co. Ltd. (Registered capital in US\$) Mr. Doo Wai-hoi, William	—	—	28,350,000 <i>(note 6)</i>	28,350,000	52.50
Sun City Holdings Limited (Ordinary shares of HK\$1 each) Mr. Cheng Kar-shing, Peter	—	80,000	3,570,000 <i>(note 7)</i>	3,650,000	45.63
Sun Legend Investments Limited (Ordinary shares of HK\$1 each) Mr. Cheng Kar-shing, Peter	—	—	500 <i>(note 8)</i>	500	50.00
YE Holdings Corporation (Ordinary shares of HK\$1 each) Mr. Leung Chi-kin, Stewart	37,500	—	—	37,500	1.50
Zhaoqing New World Property Development Limited (Registered capital in US\$) Mr. Doo Wai-hoi, William	—	—	8,250,000 <i>(note 9)</i>	8,250,000	60.00
Zhaoqing New World Property Management Limited (Registered capital in HK\$) Mr. Doo Wai-hoi, William	—	—	300,000 <i>(note 9)</i>	300,000	60.00

Notes:

- (1) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai-hoi, William.
- (2) These shares are beneficially owned by a company wholly-owned by Mr. Cheng Kar-shing, Peter.
- (3) These shares are beneficially owned by a company of which Mr. Leung Chi-kin, Stewart has a direct interest of 55%.
- (4) 4,102 shares are held by a company wholly-owned by Mr. Cheng Kar-shing, Peter and 11,767 shares are held by Sun City Holdings Limited ("Sun City"), of which Mr. Cheng is deemed to be interested in 45.63% of its issued share capital.
- (5) These shares represent the participating interests held by a company wholly-owned by Mr. Doo Wai-hoi, William.
- (6) These shares include 50% direct interests and 2.5% participating interests in the registered capital of Shanghai Trio Property Development Co. Ltd., a company which is held by companies wholly-owned by Mr. Doo Wai-hoi, William.
- (7) These shares are held by a company of which Mr. Cheng Kar-shing, Peter has an indirect interest of 48.18%.
- (8) Mr. Cheng Kar-shing, Peter is deemed to be interested in the shares of Sun Legend Investments Limited by virtue of his interests in Sun City pursuant to Part XV of the SFO.
- (9) Mr. Doo Wai-hoi, William is deemed to be interested in the respective registered capital of Zhaoqing New World Property Development Limited and Zhaoqing New World Property Management Limited by virtue of his interest in Fortune Star Worldwide Limited pursuant to Part XV of the SFO, of which Mr. Doo Wai-hoi, William owns an indirect interest of 60%.

(b) Long position in the underlying shares in the associated corporations of the Company**(i) NWS Holdings Limited**

Under the share option schemes of a fellow subsidiary, NWS Holdings Limited ("NWS"), the following Directors have personal interests in share options to subscribe for shares in NWS and are accordingly regarded as interested in the underlying shares of NWS. Details of the share options of NWS held by them as at the Latest Practicable Date are as follows:

Name of Director	Date of grant	Exercise price per share (HK\$)	Exercisable period	Number of share options
Dr. Cheng Kar-shun, Henry	21 July 2003	3.725	(note 1)	1,000,000
Mr. Doo Wai-hoi, William	21 July 2003	3.725	(note 1)	666,667
Mr. Cheng Kar-shing, Peter	21 July 2003	3.725	(note 1)	166,667
Mr. Leung Chi-kin, Stewart	21 July 2003	3.725	(note 2)	68,000
Mr. Chow Yu-chun, Alexander	21 July 2003	3.725	(note 2)	133,334
Mr. Fong Shing-kwong, Michael	21 July 2003	3.725	(note 1)	166,667
Mr. Cheng Wai-chee, Christopher	21 July 2003	3.725	(note 1)	200,000

Notes:

(1) Exercisable from 21 July 2005 to 20 July 2008.

(2) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 to 20 July 2008, respectively.

(ii) New World Mobile Holdings Limited

Under the share option scheme of a fellow subsidiary, New World Mobile Holdings Limited ("NWMH"), the following Directors have personal interests in share options to subscribe for shares in NWMH and are accordingly regarded as interested in the underlying shares of NWMH. Details of the share options of NWMH held by the Directors as at the Latest Practicable Date are as follows:

Name of Director	Date of grant	Exercise price per share (HK\$)	Exercisable period	Number of shares entitled to subscribe for under the share options
Dr. Cheng Kar-shun, Henry	28 January 2005	1.26	(note)	780,000
Mr. Doo Wai-hoi, William	28 January 2005	1.26	(note)	300,000
Mr. Chow Yu-chun, Alexander	28 January 2005	1.26	(note)	482,000

Note: Exercisable from 28 January 2005 to 31 December 2010.

(c) Directors' interests in competing business

As at the Latest Practicable Date, the following Directors have interests in the following businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group pursuant to the Listing Rules:

Name of Director	Name of entity which businesses are considered to compete or likely to compete with the business of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the business of the Group	Nature of interest of the Director in the entity
Dr. Cheng Kar-shun, Henry	Beijing Jiang Guang Development Limited	Hotel operation in Beijing	director
	Beijing Chang Le Real Estates Development Co., Ltd.	Property development in Beijing	director
	Beijing Niceline Real Estates Development Co., Ltd.	Property development in Beijing	director
	Beijing Fu Wah Real Estates Development Co., Ltd.	Property development in Beijing	director
	Beijing Po Garden Real Estates Development Co., Ltd.	Property development in Beijing	director
	Huizhou New World Enterprises Development Co., Ltd.	Property development in Huizhou	director
	Qingyuan New World Housing Development Ltd.	Property development in Qingyuan	director
	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	director
	Wuhan New Eagle Development Co., Ltd.	Property investment in Wuhan	director
	Wuxi Ramada Hotel Company Limited	Hotel operation in Wuxi	director
Mr. Doo Wai-hoi, William	New Bei Fang Hotel Ltd.	Property investment	director
	Tianjin Tianzheng Property & Merchants Co. Ltd.	Land improvement in Tianjin	director
Mr. Cheng Kar-shing, Peter	Qingyuan New World Housing Development Ltd.	Property development in Qingyuan	director
	Wuhan New Eagle Development Co., Ltd.	Property investment in Wuhan	director

Name of Director	Name of entity which businesses are considered to compete or likely to compete with the business of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the business of the Group	Nature of interest of the Director in the entity
Mr. Chow Kwai-cheung	Beijing Chang Le Real Estates Development Co., Ltd.	Property development in Beijing	director
	Beijing Fu Wah Real Estates Development Co., Ltd.	Property development in Beijing	director
	Beijing Niceline Real Estates Development Co., Ltd.	Property development in Beijing	director
	Beijing Po Garden Real Estates Development Co., Ltd.	Property development in Beijing	director
	北京市天竺花園別墅發展有限公司	Property development in Beijing	director
	Tianjin Tianzheng Property & Merchants Co., Ltd.	Land improvement in Tianjin	director
	廣州金湖住宅發展有限公司	Property development in Guangzhou	director
	廣州紅丰房地產有限公司	Property development in Guangzhou	director
Mr. Chow Yu-chun, Alexander	Grand New World Hotel Company Limited	Hotel operation in Xian	director
	Guangzhou Metropolitan Properties Co., Ltd.	Property development in Guangzhou	director
	Guangzhou New World Properties Development Co., Ltd.	Property development in Guangzhou	director
	Huizhou New World Enterprises Development Co., Ltd.	Property development in Huizhou	director
	New Bei Fang Hotel Ltd.	Property investment	director
	Qingyuan New World Housing Development Ltd.	Property development in Qingyuan	director
	Wuhan New Eagle Development Co., Ltd.	Property investment in Wuhan	director

Name of Director	Name of entity which businesses are considered to compete or likely to compete with the business of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the business of the Group	Nature of interest of the Director in the entity
Mr. Fong Shing-kwong, Michael	Beijing Jiang Guang Centre Co., Ltd.	Hotel operation in Beijing	director
	Beijing Fu Wah Real Estates Development Co., Ltd.	Property development in Beijing	director
	Beijing Niceline Real Estates Development Co., Ltd.	Property development in Beijing	director
	Grand New World Hotel Company Limited	Hotel operation in Xian	director
	Wuxi New City Development Co., Ltd.	Hotel operation in Wuxi	director

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with business of the Group.

(d) Other Directors' interests

None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Group respectively, since 30 June 2004, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular which is significant to the business of the Group.

3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, information of the persons, other than Directors or chief executive of the Company, who have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions in issued shares

Name	Number of Shares		Number of Shares comprised in derivatives ^(Note 3)		Total	Approximate percentage to issued share capital of the Company
	Beneficial interests	Corporate interests	Beneficial interests	Corporate interests		
Chow Tai Fook Enterprises Limited	—	2,714,858,780	—	262,000,000	2,976,858,780 (Note 1)	79.01%
New World Development Company Limited ("NWD")	2,537,632,731	177,226,049	—	262,000,000	2,976,858,780 (Note 2)	79.01%
Easywin Enterprises Corporation Limited ("Easywin")	113,351,879	—	262,000,000	—	375,351,879	9.96%

Notes:

- (1) Chow Tai Fook Enterprises Limited and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares in which NWD is interested or deemed to be interested.
- (2) NWD holds 100% interests in Easywin and is accordingly deemed to have an interest in the shares held by Easywin in the Company. NWD is also deemed to be interested in 22,508,064 shares held by Great Worth Holdings Limited, its 59% owned subsidiary and 41,366,106 shares held by High Earnings Holdings Limited, its 54% owned subsidiary.
- (3) Pursuant to certain option agreements all dated 30 May 2005, Easywin granted put options in respect of 262,000,000 shares of the Company to independent third parties which are exercisable at an initial exercise price of HK\$2.90 per share (subject to adjustment) on 25 May 2007 (subject to certain accelerating events as provided therein).

- (b) As at the Latest Practicable Date, so far as is known to the Director or chief executive of the Company and save as otherwise disclosed in this circular, the persons (other than a Director or chief executive of the Company or a member of the Group) who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any subsidiary of the Company were as follows:

Name of substantial shareholder	Name of subsidiary	Number of shares/amount of equity interest held
Dalian Commercial Network Construction and Development Company	Dalian New World Plaza International Co., Ltd.	RMB6,960,000 (12% of the equity interest)
Shun Hing China Investment Limited	Ramada Property Ltd.	100 shares (10% of the equity interest)
Hopwin Construction Engineering Limited	Hopwin Properties (China) Limited	2 shares (20% of the equity interest)
Melbourne Enterprises Ltd.	Billion Park Investment Limited	142,900 shares (14.29% of the equity interest)
Shenyang Zhengju Enterprises Ltd.	New World (Shenyang) Property Development Limited	10% (note)
Shenyang Zhengju Enterprises Ltd.	New World (Shenyang) Property Development No. 2 Limited	10% (note)
Shenyang Zhengju Enterprises Ltd.	New World (Shenyang) Property Development No. 3 Limited	10% (note)
Shenyang Zhengju Enterprises Ltd.	New World (Shenyang) Property Development No. 4 Limited	10% (note)
Shenyang Zhengju Enterprises Ltd.	New World (Shenyang) Property Development No. 5 Limited	10% (note)
Shenyang Zhengju Enterprises Ltd.	New World (Shenyang) Property Development No. 6 Limited	10% (note)
Shanghai Hongdu Enterprises (Group) Company Limited	Shanghai Heyu Properties Company Limited	US\$2,400,000 (20% of the equity interest)
深圳瑋鵬實業有限公司	Shenzhen Topping Real Estate Development Co. Ltd.	HK\$18,200,000 (10% of the equity interest)
武漢市國營漢口漁場	Wuhan Xinhan Development Co., Ltd.	30% (note)

Note: Referred to as profit sharing ratio as set out in the relevant co-operative joint venture contracts

Save as disclosed above, as at the Latest Practicable Date, there was no other person (other than a Director or chief executive of the Company or a member of the Group), who had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. 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.

5. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which are contained in this circular:

Name	Qualification
Commerzbank	A licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)

Commerzbank has given and has not withdrawn its consent to the issue of this circular with the inclusion herein of its letter or reference in the form and context in which it appears.

Commerzbank did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Commerzbank did not have any direct or indirect interests in any assets which has been, since 30 June 2004 (being the date to which the latest published audited accounts of the Company were made up to), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company, other than contracts expiring or terminable within one year without any compensation payable (other than statutory compensation).

7. LITIGATION

None of the members of the Group is engaged in any litigation or arbitration of material importance and there is no litigation of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

8. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2004, being the date to which the latest published audited accounts of the Company were made up to.

9. GENERAL

The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at 9th Floor, New World Tower 1, 18 Queen's Road Central, Hong Kong during normal business hours from the date of this circular to and including 24 June 2005:

- (a) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (b) the letter from Commerzbank, the text of which is set out in this circular;
- (c) the written consent referred to under paragraph headed "Expert and Consent" in this appendix; and
- (d) the Master Service Agreement.



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 Tuesday, 28 June 2005 at 11:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT,

- (a) the master service agreement dated 30 May 2005 entered into between the Company and New World Development Company Limited ("NWD") (the "Master Service Agreement"), a copy of the circular dated 10 June 2005 (the "Circular") marked A and a copy of the Master Service Agreement marked B have been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, and the terms of and the transactions contemplated thereunder (the "Continuing Connected Transaction") be and are hereby approved, ratified and confirmed;
- (b) the annual caps (as defined in the Circular) in relation to the Continuing Connected Transaction be and are hereby approved, ratified and confirmed; and
- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents and to do all such acts or things incidental to, ancillary to or in connection with the Continuing Connected Transaction."

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

Hong Kong, 10 June 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 on poll instead of him/her at the meeting. A proxy needs 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

NOTICE OF EXTRAORDINARY GENERAL MEETING

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.