

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: 917)

CONNECTED TRANSACTION

The Board is pleased to announce that on 2nd June, 2004, the Agreement was entered into for the provision by Kiu Lok to Beijing Lingal of property agency services in connection with the promotion, sale and leasing of properties located in Chateau Regalia Beijing which is developed by Beijing Lingal.

Particulars of the Agreement are set out in the paragraph headed “Agreement” of this announcement.

By virtue of the fact that Kiu Lok is a connected person of the Company by reasons described in the content below and the ongoing nature of the services, the transactions contemplated under the Agreement constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules.

Given that the estimated annual amount of agency fee falls within the de minimis threshold prescribed in Rule 14A.34 of the Listing Rules, the entering into of the Agreement will be subject to reporting and announcement requirements. Appropriate disclosure of the above transaction will be made in the future published annual reports and accounts of the Company in accordance with Rules 14A.37 and 14A.38 of the Listing Rules.

AGREEMENT

The principal terms of the Agreement are as follows:

Date of the Agreement : 2nd June, 2004

Parties : (a) Beijing Lingal; and
(b) Kiu Lok

Scope of services rendered : The provision of property agency services by Kiu Lok to Beijing Lingal in connection with the promotion, sale and leasing of properties located in Chateau Regalia Beijing. The property agency services can be broadly divided into three categories, namely (a) the design and compilation of promotion and marketing plans; (b) supervision of marketing activities and overseeing the operation of sale offices; and (c) formulation of pricing strategy and assistance in the execution and completion of sale and leasing agreements with the buyers and tenants

The property agency engagement of Kiu Lok by Beijing Lingal for the Chateau Regalia Beijing project will be exclusive in connection with sales conducted both within and outside the PRC

Term : An initial term of 3 years from the date of the Agreement and will continue thereafter for successive terms of one year until terminated by not less than three months' notice served by either party on the other

Fees for the provision of property agency services in connection with the sale of properties at Chateau Regalia Beijing : 2% of the actual selling price of each unit sold
The fee is payable in cash within 14 days after signing of the formal pre-sale or sale contract of the relevant premises and payment of the first instalment by the buyers

Fees for the provision of property agency services in connection with the leasing of properties at Chateau Regalia Beijing : (a) if the tenant is introduced by Kiu Lok, the fee payable to Kiu Lok will be 8.3333% of the total Net Rental receivable during the term of the leasing agreement of each unit subject to the maximum of one month's Average Net Monthly Rental
(b) if the tenant is introduced by independent sub-agents and commission payable to the sub-agents is not less than 50% of the Average Net Monthly Rental, the fee payable to Kiu Lok will be 50% of the Average Net Monthly Rental. On the other hand, if the commission payable to the sub-agent is less than 50% of the Average Net Monthly Rental, the fee payable to Kiu Lok will be the difference between the Average Net Monthly Rental and the commission payable to the sub-agent

The fee is payable in cash within 14 days after signing of the formal leasing agreement of the relevant premises and the payment of deposit for rental by the tenants

Agency fee in connection with renewal of leases of properties at Chateau Regalia Beijing : 2.5% of the total Net Rental receivable during the extended term of tenancy, subject to the maximum of 30% of the Average Net Monthly Rental receivable by Beijing Lingal in respect of the relevant premises

The fee is payable in cash within 14 days after signing of the formal agreement for renewal of the lease of the relevant premises and the payment of deposit for rental by the tenants

Expenses : Expenses incurred by Kiu Lok such as travelling expenses and staff accommodation will be reimbursed on actual basis, with the provision of about RMB3,000 per month for entertainment purposes

THE CAP AMOUNTS

The aggregate total agency fees payable under the Agreement for each of the financial years ending 30th June, 2006 are subject to the cap amounts as follows:

Financial year ending	Cap Amounts (HK\$)
30th June, 2004	7,500,000
30th June, 2005	8,800,000
30th June, 2006	8,800,000

The cap amounts are determined with reference to the following anticipated annual sale and leases of the properties of Chateau Regalia Beijing which comprise of villas, duplexes and apartments:

	Villas HK\$	Duplexes HK\$	Apartments HK\$	Total HK\$
<i>Annual sale (note 2)</i>				
— year ending 30 June 2004	286,504,542	—	—	286,504,542
— year ending 30 June 2005	266,039,932	—	—	266,039,932
— year ending 30 June 2006	266,039,932	—	—	266,039,932
<i>Annual rental (notes 3 to 5)</i>				
— year ending 30 June 2004	—	7,830,230	12,973,924	20,804,154
— year ending 30 June 2005	—	15,660,459	25,947,848	41,608,307
— year ending 30 June 2006	—	15,660,459	25,947,848	41,608,307
Basis of charge of property agency fee	2%	8.3333%	8.3333%	
<i>Estimated property agency fee</i>				
— year ending 30 June 2004	5,730,091	652,517	1,081,156	7,463,764
— year ending 30 June 2005	5,320,799	1,305,033	2,162,312	8,788,144
— year ending 30 June 2006	5,320,799	1,305,033	2,162,312	8,788,144

Notes:

- (1) The villas of Chateau Regalia Beijing will be put on sale whilst the duplexes and the apartments will be held for leasing.
- (2) The villas, with total gross floor area of about 54,231 square metres, will be sold at an estimated average selling price of RMB16,000 (equivalent to HK\$15,094.4) per square metre, which is the market price as quoted to third party potential purchasers. Based on the customer base solicited by Kiu Lok, we estimate that 35% of the villas will be sold in the year ending 30th June, 2004 due to higher sale at initial launch of properties whilst the sale of the remaining 65% of the villas will be spreading evenly during the next two financial years.
- (3) The duplexes with total gross floor area of about 22,190 square metres, will be let at an estimated monthly average rental of US\$7.54 (equivalent to HK\$58.812) per square metre, which is the market price as quoted to third party potential tenants. Based on the customer base solicited by Kiu Lok, we estimate that 50% of the duplexes will be leased in the year ending 30th June, 2004 whilst full occupancy will be achieved in the next two financial years.
- (4) The apartments with total gross floor area of about 45,446 square metres, will be let at an estimated monthly rental of US\$6.1 (equivalent to HK\$47.58) per square metre, which is the market price as quoted to third party potential tenants. Based on the present customer base solicited by Kiu Lok, we estimate that 50% of the apartments will be leased in the year ending 30th June, 2004 whilst full occupancy will be achieved in the next two financial years.
- (5) We have assumed that all duplexes and apartments will be leased to tenants being introduced by Kiu Lok for one year without rent-free period and without renewal upon expiry when we make the above computation.

The annual cap amount for the year ending 30th June, 2004 represents about 1.37% of the Group's turnover for the year ended 30th June, 2003 and represents about 0.03% of the Group's total assets as at 31st December, 2003. The annual cap amount for each of the two years ending 30th June, 2005 and 30th June, 2006 represents about 1.61% of the Group's turnover for the year ended 30th June, 2003 and represents about 0.03% of the Group's total assets as at 31st December, 2003.

REASONS FOR AND EFFECTS OF THE TRANSACTION

The Group is principally engaged in the property development and property related investment in the PRC. Chateau Regalia Beijing is one of the Group's major property development projects located in the prestigious northeast suburb in Beijing, PRC along the Wenyu River. The properties have been completed in January 2004 for sale and leasing with a total gross floor area of about 122,000 square metres.

Beijing Lingal has not established its own sales team in Beijing, therefore, it is necessary to outsource the marketing function to property agent. The Board considers that the engagement of Kiu Lok in providing the property agency services will promote the sale and leasing of Chateau Regalia Beijing given their well established marketing network in the PRC property market and the Group's long term business relationship with Kiu Lok. Kiu Lok is responsible for the overall marketing strategy to facilitate the sales and leasing transactions even for the referral of tenants by independent sub-agents. The terms of the Agreement, including the scale of fees, are determined after arm's length negotiation between Beijing Lingal and Kiu Lok with reference to the current levels of property agency fees payable to other independent property agency firms in marketing the other property projects of the Group and the market level of property agency fees payable in respect of other similar properties in Beijing.

The Board, including the independent non-executive directors, is of the view that the entering into of the Agreement and the engagement of Kiu Lok as the property agent for the promotion and sale of Chateau Regalia Beijing are on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. The Board also agrees that the cap levels are justified.

RELATIONSHIPS BETWEEN THE PARTIES AND ONGOING CONNECTED TRANSACTION

Beijing Lingal is an indirect wholly owned subsidiary of the Company, the substantial shareholder of which is NWD, currently having approximately 69.44% attributable interests in the issued share capital of the Company as at the date of this announcement.

Kiu Lok, wholly owned by NWSH which is held as to approximately 54% by NWD at the date of this announcement, is a connected person of the Company. By virtue of the fact that the property agency services to be provided by Kiu Lok under the Agreement will be carried out on an ongoing basis, the transactions contemplated under the Agreement constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules.

Given that the estimated maximum annual amount of agency fee falls within the de minimis threshold prescribed in Rule 14A.34 of the Listing Rules, the entering into of the Agreement will be subject to reporting and announcement requirements. The Company will procure annual review of the transactions by the independent non-executive directors and auditors of the Company in accordance with Rules 14A.37 and 14A.38 of the Listing Rules, and undertakes to disclose relevant details in the future annual reports and accounts of the Company.

TERMS USED IN THIS ANNOUNCEMENT

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

“Agreement”	An agreement dated 2nd June, 2004 and entered into between Beijing Lingal and Kiu Lok for the provision of property agency services by Kiu Lok in connection with the promotion, sale and leasing of properties located in Chateau Regalia Beijing
“Average Net Monthly Rental”	Net Rental receivable during the lease term (excluding the rent-free period) divided by the number of months comprised in the lease term (including the rent-free period)
“Beijing Lingal”	Beijing Lingal Real Estates Development Co., Ltd. (北京麗高房地產開發有限公司), an indirect wholly owned subsidiary of the Company
“Board”	the board of directors of the Company
“Chateau Regalia Beijing”	北京麗高花園, properties located at Tian Zhu Town, Shun Yi District, Beijing, the PRC (中國北京市順義區天竺鎮) and owned by Beijing Lingal
“Company”	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“Group”	collectively, the Company and its subsidiaries
“Kiu Lok”	Kiu Lok Property Services (China) Limited 僑樂物業服務(中國)有限公司, a company providing property agency management and consultancy services, being an indirect wholly owned subsidiary of NWSH

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Rental”	Rental receivable from third party tenants with the deduction of fixed recurring expenses to be borne by Beijing Lingal such as management fees, club house usage fees and public utilities expenses
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange. The core businesses of NWD include property, infrastructure, services as well as telecommunications and technology
“NWSH”	NWS Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“PRC”	The People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“%”	per cent.

As at the date of this announcement, the Board comprises of (i) Dr. Cheng Kar-shun, Henry, Messrs. Doo Wai-hoi, William, Cheng Kar-shing, Peter, Leung Chi-kin, Stewart, Chan Kam-ling, Chow Kwai-cheung, Chow Yu-chun, Alexander, Chan Wing-tak, Douglas, Fong Shing-kwong, Michael as executive directors; (ii) Mr. Fu Sze-shing as non-executive director; and (iii) Messrs. Lo Hong-sui, Cheng Wai-chee, Christopher, and Tien Pei-chun, James as independent non-executive directors.

For your convenience, this announcement contains translations between Hong Kong dollars and Renminbi at HK\$0.9434=RMB1 and Hong Kong dollars and US dollars at HK\$7.8=US\$1.00.

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

Hong Kong, 2nd June, 2004

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