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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)**

## **CONNECTED TRANSACTION**

**Acquisition of interest in  
Hunan Success New Century Investment Company Limited**

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

**COMMERZBANK** 

**Commerzbank AG Hong Kong Branch**

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A letter from the Independent Board Committee is set out on page 10 of this circular. A letter from Commerzbank, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 19 of this circular.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	New World China Land Limited, a company incorporated in the Cayman Islands with limited liability, the Shares are listed on the Stock Exchange
“Commerzbank”	Commerzbank AG, acting through its Hong Kong branch, a licensed bank under the Banking Ordinance 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 Equity Transfer Agreement
“Consideration”	the aggregate consideration of RMB724,680,000 (equivalent to approximately HK\$696,807,692) payable by the Purchasers to the Vendors in respect of the Transfer pursuant to the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 8 May 2006 entered into between the Parties in respect of the Transfer
“Group”	the Company and its subsidiaries
“Hainan Zhonghong”	Hainan Zhonghong Investments Company Limited** (海南中泓投資有限公司), a company incorporated in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars and cents, the lawful currency of Hong Kong

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## DEFINITIONS

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“Hunan Development”	Hunan Success Development Investment Company Limited** (湖南成功開發投資有限公司), a company incorporated in the PRC with limited liability, and which, as at the date of the Equity Transfer Agreement, owned 60% of the equity interest in Hunan Success
“Hunan Success”	Hunan Success New Century Investment Company Limited** (湖南成功新世紀投資有限公司), a company incorporated in the PRC with limited liability, and which, as at the date of the Equity Transfer Agreement, was owned as to 60% by Hunan Development, 30% by Mr. Lan and 10% by Mr. Yan
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Cheng Wai-chee, Christopher, Mr. Tien Pei-chun, James and Mr. Lee Luen-wai, John
“Independent Shareholder(s)”	Shareholders other than persons who are required to abstain from voting on the resolution to approve the Equity Transfer Agreement under the Listing Rules
“Latest Practicable Date”	25 May 2006, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
“Land”	the land located to the north of Laodong East Road, to the west of Huoxing Main Road, to the east of Dong Er Huan Road, and to the south of Guiyou Road, Changsha City, Hunan Province, the PRC, with a total area of approximately 671 mu
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lan”	Mr. Lan Guang Ming (蘭光明), a citizen of the PRC who, as at the date of the Equity Transfer Agreement, owned 30% of the equity interest in Hunan Success
“Mr. Yan”	Mr. Yan Chao (顏超), a citizen of the PRC who, as at the date of the Equity Transfer Agreement, owned 10% of the equity interest in Hunan Success
“NWCI”	New World China Land Investments Company Limited (新世界(中國)地產投資有限公司), a company incorporated in the PRC and is a wholly-owned subsidiary of the Company

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## DEFINITIONS

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“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 in the Listing Rules) of the Company
“Parties”	NWCI, Mr. Yan, Mr. Lan, Hunan Development and Hainan Zhonghong
“PRC”	the People’s Republic of China
“Purchasers”	NWCI and Hainan Zhonghong
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of the Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	the holder(s) of the Share(s)
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in sections 2 and 2B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Transfer”	the transfer of 100% of the equity interest in Hunan Success by Hunan Development, Mr. Lan and Mr. Yan to NWCI and Hainan Zhonghong
“Yuhua Land Bureau”	Yuhua District Branch office of the state-owned land administrative bureau of the PRC
“Vendors”	Hunan Development, Mr. Lan and Mr. Yan

*\*\* the unofficial English transliterations or translations are for identification purposes only*

*For the purpose of this circular, HK\$1.00 is equivalent to RMB1.04.*

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## LETTER FROM THE BOARD

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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)

*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

Ms. Ngan Man-ying, Lynda

*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:*

9/F., New World Tower 1

18 Queen's Road Central

Hong Kong

30 May 2006

*To the Shareholders*

Dear Sir or Madam,

### CONNECTED TRANSACTION

#### INTRODUCTION

On 10 May 2006, the Board announced that on 8 May 2006, NWCI, a wholly-owned subsidiary of the Company, Hainan Zhonghong, Hunan Development, Mr. Lan and Mr. Yan entered into the Equity Transfer Agreement under which NWCI and Hainan Zhonghong agreed to purchase 100% of the equity interest in Hunan Success from Hunan Development, Mr. Lan and Mr. Yan.

As at the Latest Practicable Date, Hainan Zhonghong is a connected person of the Company under the Listing Rules by virtue of its holding of 20% equity interest in a subsidiary of the Company. Accordingly, the Equity Transfer Agreement constitutes a connected transaction for the Company under the Listing Rules. As the consideration ratio (as defined in Rule 14.07 of the Listing Rules) is more than 2.5%, the Equity Transfer

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## LETTER FROM THE BOARD

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Agreement is subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The purposes of this circular are to provide you with details of the Equity Transfer Agreement, to set out the advice of the Independent Board Committee in relation to the Equity Transfer Agreement, and to set out the letter of advice from Commerzbank to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Equity Transfer Agreement.

### THE EQUITY TRANSFER AGREEMENT

Date: 8 May 2006

Parties: (1) NWCI, a direct wholly-owned subsidiary of the Company, as purchaser;  
(2) Hainan Zhonghong, as purchaser;  
(3) Hunan Development, as vendor;  
(4) Mr. Lan, as vendor; and  
(5) Mr. Yan, as vendor.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, save and except Hainan Zhonghong, which holds 20% equity interest in a subsidiary of the Company, each of Hunan Development, its ultimate beneficial owners and those of Hainan Zhonghong, Mr. Lan and Mr. Yan, are third parties independent of the Company and connected persons of the Company.

### Major terms of the Equity Transfer Agreement

#### *Acquisition of equity interest in Hunan Success*

The Purchasers agreed to acquire 100% of the equity interest in Hunan Success from the Vendors for an aggregate consideration of RMB724,680,000 (equivalent to approximately HK\$696,807,692), 90% of which (i.e. RMB652,212,000, equivalent to approximately HK\$627,126,923) will be payable by NWCI in cash, and 10% of which (i.e. RMB72,468,000, equivalent to approximately HK\$69,680,769) will be payable by Hainan Zhonghong. The amount of the Consideration payable by NWCI will be financed by internal resources of the Group and bank borrowings.

Upon completion of the Transfer, Hunan Success will be owned as to 90% and 10% by NWCI and Hainan Zhonghong, respectively.

#### *Major asset of Hunan Success*

As the major asset owned by Hunan Success is the Land, the state-owned land use rights in respect of the Land will form part of the Transfer.

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## LETTER FROM THE BOARD

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### *Payment terms*

The Consideration will be payable by the Purchasers in the following manner:

- (a) 50% of the Consideration, amounting to RMB362,340,000, will be payable within six days after Hunan Development has discharged the restriction imposed by the Intermediate People's Court of Xiangxi Autonomous Prefecture on the transfer of equity interest in Hunan Success, on the condition that the Vendors can only utilise the Consideration up to the amount of RMB120,000,000 to repay the loans of Hunan Success, and the remainder of the funds will be jointly monitored by the Parties until the relevant legal procedures in respect of the Transfer are completed.
- (b) 30% of the Consideration, amounting to RMB217,404,000, will be payable to Yuhua Land Bureau or other relevant authorities for the funding of the demolition work within six days upon signing of the relevant agreement between the Vendors and Yuhua Land Bureau to carry out the demolition works, upon which the Vendors would be deemed to have received the second instalment of the Consideration. If the expenses incurred in the demolition exceeds or is less than RMB217,404,000, the final instalment of the Consideration payable to the Vendors would be adjusted accordingly.
- (c) 20% of the Consideration, amounting to RMB144,936,000, will be payable to the Vendors within six days after receipt of notice from the Vendors relating to the completion of demolition of the existing structures on the Land, which is expected to take place within one year after payment of the second instalment of the Consideration.

The Consideration is determined principally by reference to the prevailing market value of the state-owned land use rights in respect of the Land.

### *Liability upon breach*

Within 15 days from the date of payment of the first instalment of the Consideration, the Purchasers are required to provide the relevant legal documents for the purchase of the equity interest. If the Purchasers fail to provide such documents within the prescribed time, the Purchasers would be deemed to have breached the Equity Transfer Agreement, entitling the Vendors to freely utilise the first instalment of the Consideration. If the Purchasers have provided such documents but the Vendors fail to complete the legal procedures for the Transfer to register the Purchasers as the owners of Hunan Success, the Purchasers will have the right to rescind the Equity Transfer Agreement and obtain a refund of the part of the Consideration paid up to that date.



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## LETTER FROM THE BOARD

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If the Purchasers fail to pay the Consideration according to the prescribed manner pursuant to the Equity Transfer Agreement, they would incur a penalty of 0.3% of the amount payable for each day of delay within the initial 10 days of delay. If the Purchasers fail to make payment after 10 days, the Vendors have the right to rescind the Equity Transfer Agreement and request the Purchasers to pay 25% of the Consideration to the Vendors as liquidated damages.

If the Vendors fail to transfer the equity interest of Hunan Success to the Purchasers and complete the relevant legal procedures in accordance with the Equity Transfer Agreement, they would incur a penalty of 0.3% on the amount of the Consideration paid for each day of delay within the initial 10 days of delay. If the delay lasts for over 10 days, the Purchasers have the right to rescind the Equity Transfer Agreement and request the Vendors to refund the part of the Consideration already paid and pay 25% of the Consideration to the Purchasers as liquidated damages.

### *Discharge of debts of Hunan Success*

All debts and liabilities, including any contingent liabilities, incurred by Hunan Success prior to the Equity Transfer Agreement are to be discharged by the Vendors. The Vendors warrant to repay all loans of Hunan Success within 15 days of receiving the first instalment of the Consideration so as to discharge all encumbrances on the Land. As at the date of the Equity Transfer Agreement, the amount of the outstanding loans of Hunan Success amounted to approximately RMB120,000,000.

If the Vendors fail to fully discharge the aforementioned debts in a timely manner and cause a claim to be brought against Hunan Success, the Purchasers may request the Vendors to indemnify them for all losses. If the Vendors cause a claim to be brought against the land use rights of the Land, or a claim is brought due to their failure to discharge liabilities in time, all losses suffered by the Purchasers as a result will be borne by the Vendors.

### **INFORMATION RELATING TO HUNAN SUCCESS**

Hunan Success is principally engaged in property development in the PRC. Its main asset is the Land, which is located to the north of Laodong East Road, to the west of Huoxing Main Road, to the east of Dong Er Huan Road, and to the south of Guiyou Road, Changsha City, Hunan Province, the PRC, and is in close proximity to the city centre of Changsha with a total area of approximately 671 mu. The Land can be used for residential and commercial purposes. The permitted area of development is approximately 1,070,000 sq.m..

The audited net asset value of Hunan Success as at 31 December 2005 was RMB28,696,000. The audited net loss (both before and after taxation and extraordinary items) of Hunan Success for the two financial years ended 31 December 2004 and 31 December 2005 were RMB5,312,000 and RMB4,799,000, respectively.

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## LETTER FROM THE BOARD

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### INFORMATION RELATING TO THE COMPANY

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

### INFORMATION RELATING TO NWC I

NWC I is principally engaged in the investment in PRC property projects and the provision of marketing and consultancy services in the area of property development in the PRC.

### INFORMATION RELATING TO HAINAN ZHONGHONG

Hainan Zhonghong is principally engaged in the property development and investment business in the PRC.

### INFORMATION RELATING TO HUNAN DEVELOPMENT

Hunan Development is principally engaged in the property development and investment business in the PRC.

### REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE EQUITY TRANSFER AGREEMENT

The purpose of entering into the Equity Transfer Agreement is to acquire an interest in the Land, of which the Directors intend to develop into middle to high class residential and/or commercial development. In view of the healthy development of the property market in Changsha City and the steady rise in the selling price of properties over the past years, the Directors believe that it is an optimal time for the Group to acquire an interest in the Land considering its convenient location and sizeable area.

In view of the above, the Directors (including the independent non-executive Directors) believe that the terms of the Equity Transfer Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

### CONNECTED TRANSACTION

As at the Latest Practicable Date, Hainan Zhonghong is a connected person of the Company under the Listing Rules by virtue of its holding of 20% equity interest in a subsidiary of the Company. Accordingly, the Equity Transfer Agreement constitutes a connected transaction for the Company under the Listing Rules. As the consideration ratio (as defined in Rule 14.07 of the Listing Rules) is more than 2.5%, the Equity Transfer Agreement is subject to reporting and announcement requirements under Rule 14A.32 of the Listing Rules and is required to be made conditional on approval by the Independent Shareholders either by convening a general meeting of the the Shareholders or, pursuant to Rule 14A.43 of the Listing Rules, by means of a written approval by the Independent Shareholders who collectively hold more than 50% in nominal value of the Shares giving the right to attend and vote at such general meeting.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, neither Hainan Zhonghong, Hunan Development, their respective ultimate beneficial owners, Mr. Lan, Mr. Yan, or their respective associates hold any interests in the Company.

In view of the aforesaid, the Company has applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for a waiver from strict compliance with the requirement under the Listing Rules for the Company to hold a general meeting to seek Independent Shareholders' approval in respect of the Equity Transfer Agreement, on the basis that (1) there are no Shareholders who are required to abstain from voting if the Company were to convene a general meeting for the approval of the Equity Transfer Agreement; and (2) the written approval approving the Equity Transfer Agreement from NWD, which holds directly and indirectly 2,714,858,780 Shares, representing approximately 70% interest in the issued share capital of the Company giving the right to attend and vote at a general meeting, has been obtained.

In view of the attributable interest of approximately 70% which NWD holds in the issued share capital of the Company as at the Latest Practicable Date, Hainan Zhonghong is also a connected person of NWD, and as such, the Equity Transfer Agreement also constitutes a connected transaction for NWD.

### ADVICE

Your attention is drawn to the letter from the Independent Board Committee as set out on page 10 of this circular, which contains its advice to the Independent Shareholders in respect of the Equity Transfer Agreement.

Your attention is also drawn to the letter of advice received from Commerzbank, the independent financial adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 11 to 19 of this circular which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Equity Transfer Agreement and the principal factors and reasons considered by it in arriving at its advice.

Your attention is also drawn to the general information as set out in the appendix of this circular.

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)**

30 May 2006

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION**

We refer to the letter from the Board set out in the circular issued by the Company to the Shareholders and dated 30 May 2006 (the "Circular") of which this letter forms part. Capitalised terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the terms of the Equity Transfer Agreement and to advise the Independent Shareholders in connection with the Equity Transfer Agreement as to whether, in our opinion, its terms are fair and reasonable so far as the Independent Shareholders are concerned and whether the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole. Commerzbank has been appointed as the independent financial adviser to advise us in this respect.

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 Equity Transfer Agreement as set out in the Circular.

Having considered the principal factors and reasons considered by, and the opinion of Commerzbank as set out in its letter of advice, we consider the terms of the Equity Transfer Agreement to be fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

Yours faithfully,  
**Independent Board Committee**  
**Cheng Wai-chee, Christopher,**  
**Tien Pei-chun, James and Lee Luen-wai, John**

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# LETTER FROM COMMERZBANK

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*The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Commerzbank in respect of the Equity Transfer Agreement, prepared for the purpose of incorporation into this circular.*

德 國 商 業 銀 行

**COMMERZBANK** 

(Public Limited Company Incorporated in the Federal Republic of Germany)

HONG KONG BRANCH

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HONG KONG

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30 May 2006

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

## CONNECTED TRANSACTION

### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the Equity Transfer Agreement (the “**Connected Transaction**”), the definition of which, amongst other things, is set out in the circular dated 30 May 2006 (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 adviser to the Independent Board Committee is to give our advice and recommendation to the Independent Shareholders on the Connected Transaction as to whether they are fair and reasonable, on normal commercial terms, and 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. Also, we have 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.

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## LETTER FROM COMMERZBANK

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Hainan Zhonghong is a connected person of the Company by virtue of its holding of 20% equity interest in a subsidiary of the Company. Accordingly, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction for the Company under the Listing Rules.

We consider that we have reviewed sufficient information to enable us to reach an informed view regarding the terms of the Connected Transaction, 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.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In assessing the overall fairness and reasonableness of the Connected Transaction 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 of the Parties to the Equity Transfer Agreement**

##### *1.1 Background of the Company and NWCI*

The principal business of the Company is property development and property related investment in the PRC including, but not limited to, property sales, rental and hotel operations in the PRC. The Company is a real estate developer in the PRC and currently has land bank of approximately 17 million sq. m. spanning over 17 cities. We note from the Company's latest annual report as at 30 June 2005 that approximately 78% of its land bank is located in Guangzhou, Beijing, Shenyang and Wuhan. The Directors believe that urbanisation and the increase in disposable income per capita in the PRC will continue to drive the demand for residential housing in the PRC.

NWCI, being one of the Purchasers, is a direct wholly-owned subsidiary of the Company which is principally engaged in the investment in PRC property projects and the provision of marketing and consultancy services in the property development in the PRC.

##### *1.2 Background of Hainan Zhonghong*

Hainan Zhonghong, being one of the Purchasers, is principally engaged in the property development and investment business in the PRC. Hainan Zhonghong is a connected person of the Company by virtue of its holding of 20% equity interest in a subsidiary of the Company.

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## LETTER FROM COMMERZBANK

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### 1.3 *Background of Hunan Development*

Hunan Development, being one of the Vendors, is principally engaged in the property development and investment business in the PRC. As at the date of the Equity Transfer Agreement, Hunan Development owned 60% equity interest in Hunan Success.

### 1.4 *Background of Hunan Success*

As at the date of the Equity Transfer Agreement, Hunan Success was owned as to 60% by Hunan Development, 30% by Mr. Lan and 10% by Mr. Yan, respectively. Hunan Success is principally engaged in property development in the PRC and its main asset is the Land, which is located to the north of Laodong East Road, to the west of Huoxing Main Road, to the east of Dong Er Huan Road, and to the south of Guiyou Road, Changsha City, Hunan Province, the PRC, and is in close proximity to the city centre of Changsha with a total area of approximately 671 mu (equivalent to approximately 447,333 sq. m.). The Land can be used for residential and commercial purposes. The permitted area of development is approximately 1,070,000 sq. m.. The state-owned land use rights in respect of the Land will form part of the Transfer.

## 2. **Background and reasons for the Equity Transfer Agreement**

On 8 May 2006, NWCI, a wholly-owned subsidiary of the Company, and Hainan Zhonghong, a connected person of the Company, entered into the Equity Transfer Agreement under which NWCI and Hainan Zhonghong agreed to purchase 100% of the equity interest in Hunan Success from Hunan Development, Mr. Lan and Mr. Yan.

In considering the overall fairness and reasonableness of the Connected Transaction, we have discussed with the Directors and understand that the purpose of the Equity Transfer Agreement is to set out the respective rights and obligations of the Parties in Hunan Success. Given the strong economic development in the PRC, the Directors are of the view that the property market will increase in line with the current upward trend of the overall economic development of the PRC. The Directors also believe that the entering into of the Equity Transfer Agreement is consistent with the Company's strategy to participate in the investment of high quality land in the PRC.

### 2.1 *Overview of the property market in the Hunan Province*

#### 2.1.1 The overall economic environment

Based on our internal research and the review of the Changsha Investment Environment Study 2006 (the "**Study**") published by KPMG Huazhen, we understand that Changsha, being the capital of the Hunan Province, is one of PRC's top 20 "economically advanced" cities with an average gross domestic products (the "**GDP**") growth rate of approximately 14% per annum for the period from 2001-2005 as

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## LETTER FROM COMMERZBANK

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compared with the national average GDP growth rate of approximately 9% per annum for the same period. The strong GDP per capita growth was partly attributed to the continuous growth of foreign direct investment (the “FDI”) in the Hunan province, which experienced a compound annual growth rate (the “CAGR”) of approximately 34.78% for the past five years. In accordance with the Hunan Statistics Yearbook 2005, FDI reached approximately US\$4.2 billion (equivalent to approximately HK\$32.8 billion) in 2005 with a year-on-year increase of approximately 62.6%.

In addition, we note from the Study that Changsha’s average disposable income per capita was approximately USD1,500 (equivalent to approximately HK\$11,700) in 2005, which was approximately 15% higher than the national average for the same period. Given Changsha’s expected robust economic growth from year 2006 to 2010 as driven by increased FDI, we concur with KPMG Huazhen’s view that Changsha average disposable income per capita would further increase and boost the housing demand.

### 2.1.2 The real estate sector in Changsha

We also note from Hunan Municipal Statistical Bureau that investment in real estate sector in 2005 was USD3.2 billion (equivalent to approximately HK\$25 billion), representing an approximate 46% increase as compared to 2004. The Changsha government expects the amount of investment in the real estate sector would further increase to approximately USD17.5 billion (equivalent to approximately HK\$137 billion) by 2010, representing a fivefold increase from 2005. In this connection, we concur with market consensus and are of the view that the long-term economic outlook in Changsha’s real estate sector is positive, as there will be continued strong growth in the local economy in the future.

We have reviewed various research reports and note that in general, the overall property market in the PRC has slowed down as a result of the PRC government’s policies in controlling an overheated property market in the PRC, including (i) the imposition of new business tax on sales of new homes purchased within the first two years; and (ii) the restriction on the transfer of new houses under construction between buyers. Notwithstanding the austere measures imposed by the PRC government, according to the Hunan Municipal Statistical Bureau, real estate investment in Hunan has recorded a CAGR of approximately 33.33% for the past 5 years. In this connection, we concur with market consensus that the long-term fundamental outlook on the Hunan property market is positive, as there will be continued strong growth in the robust local demand.

Given that (i) the Land is located in close proximity to the city centre of Changsha, which is a prime location for residential and commercial purposes; (ii) the long-term outlook of the real estate market in Changsha is positive; and (iii) robust economy growth in the near future as driven by continued growth in FDI, which has a positive impact on average per capita disposable income and hence a boost in the housing demand, we are of the view that entering into the Equity



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## LETTER FROM COMMERZBANK

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Transfer Agreement to acquire 90% equity interest in Hunan Success is consistent with the overall corporate strategy of the Group and is in the interests of the Group and its Independent Shareholders as a whole.

### 3. Principal terms of the Equity Transfer Agreement

We have discussed with the Directors and noted, inter alia, the following major terms of the Equity Transfer Agreement:

#### 3.1 *Acquisition of equity interest in Hunan Success*

Pursuant to the Equity Transfer Agreement, the Purchasers agreed to acquire 100% equity interest in Hunan Success for the Consideration, 90% of which will be payable by NWCI in cash, and 10% of which will be payable by Hainan Zhonghong. Upon completion of the Transfer, Hunan Success will be owned as to 90% and 10% by NWCI and Hainan Zhonghong, respectively.

As set out in the Circular, the major asset owned by Hunan Success is the Land, which is in close proximity to the city centre of Changsha with a total area of approximately 671 mu (equivalent to approximately 447,333 sq. m.). The permitted area of development is approximately 1,070,000 sq. m.. The state-owned land use rights in respect of the Land will form part of the Transfer. The Land is intended to develop into middle to high-class residential and/or commercial development.

#### 3.2 *Consideration*

As set out in the Circular, the Consideration is determined principally by reference to the prevailing market value of the state-owned land use rights in respect of the Land. We have discussed with the Directors and understand that the prevailing market value of the land use rights is determined with reference to the price of the land per mu in the vicinity of the Land in Changsha.

#### 3.3 *Payment terms*

As at the date of the Equity Transfer Agreement, we note that the amount of outstanding loans in Hunan Success amounted to RMB120,000,000. We have reviewed the Equity Transfer Agreement and note that all debts and liabilities, including any contingent liabilities, incurred by Hunan Success prior to the Equity Transfer Agreement are to be discharged by the Vendors. Given that the Intermediate People's Court of Xiangxi Autonomous Prefecture has imposed restrictions on the equity transfer in Hunan Success, the Consideration will be paid in the following manner:

- (a) 50% of the Consideration, amounting to RMB362,340,000 (equivalent to approximately HK\$348,403,846), will be payable within six days after Hunan Development has discharged the restriction imposed by the Intermediate People's Court of Xiangxi Autonomous Prefecture on the

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transfer of equity interest in Hunan Success, on the condition that the Vendors can only utilise the Consideration up to the amount of RMB120,000,000 to repay the loans of Hunan Success, and the remainder of the funds will be jointly monitored by the Parties until the relevant legal procedures in respect of the Transfer are completed.

We note that the Vendors warrant to repay all loans of Hunan Success within 15 days of receiving the first instalment of the Consideration so as to discharge all encumbrances on the Land. In addition, if the Vendors fail to fully discharge the debts in a timely manner and cause a claim against Hunan Success or the land use right of the Land, all losses suffered by the Purchasers as a result will be borne by the Vendors.

- (b) 30% of the Consideration, amounting to RMB217,404,000 (equivalent to approximately HK\$209,042,307), will be payable to Yuhua Land Bureau or other relevant authorities for the funding of the demolition work within six days upon signing of the relevant agreement between the Vendors and Yuhua Land Bureau to carry out the demolition works, upon which the Vendors would be deemed to have received the second instalment of the Consideration. If the expenses incurred in the demolition exceeds or is less than RMB217,404,000 (equivalent to approximately HK\$209,042,307), the final instalment of the Consideration payable to the Vendors would be adjusted accordingly.
- (c) 20% of the Consideration, amounting to RMB144,936,000 (equivalent to approximately HK\$139,361,538), will be payable to the Vendors within six days after receipt of notice from the Vendors relating to the completion of demolition of the existing structures on the Land, which is expected to take place within one year after payment of the second instalment of the Consideration.

Given that (i) the first instalment is used for the discharge of the debt for the proper transfer of the equity interest in Hunan Success; (ii) the second instalment will be payable to government authorities to carry out the demolition work; and (iii) the final instalment will be payable upon receipt of the notice from the Vendors relating to the completion of demolition of the existing structures on the Land, we are of the view that payment in such manner is reasonable.

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## LETTER FROM COMMERZBANK

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### 4. Financial effects of the Equity Transfer Agreement

As mentioned in the Circular, both NWCI and Hainan Zhonghong agreed to acquire 100% of the equity interest in Hunan Success from the Vendors for the Consideration, 90% of which (equivalent to approximately HK\$627,126,923) will be payable by NWCI in cash and 10% of which will be payable by Hainan Zhonghong. The amount of the Consideration payable by NWCI will be financed by internal resources of the Group and bank borrowings.

#### 4.1 Gearing

Based on the Company's latest annual report as at 30 June 2005, we note that the outstanding cash and bank balance on hand was approximately HK\$6,184.98 million. The payment accounts for approximately 10.14% of the outstanding cash and bank balance on hand. We also note that the Company has recently committed to two other property development projects in Beijing and Chengdu, details of which are set out in the circular dated 29 May 2006 (the "Beijing and Chengdu Projects"). If the financial commitments of the Beijing and Chengdu Projects are fully taken into account, the payments would then account for approximately 32.46% of the outstanding cash and bank balance on hand of the Group as at 30 June 2005.

We also note that the Group was in net cash position for an amount of approximately HK\$594.68 million as at 30 June 2005, which is cash and bank balance on hand of approximately HK\$6,184.98 million less total debt of approximately HK\$5,590.30 million. Following the payment, the Group would then be in a net debt position of approximately HK\$32 million or approximately HK\$1,413 million if the financial commitments of the Beijing and Chengdu Projects are fully taken into account. Following the payment, the gearing ratio, being net debt to shareholders equity, would be approximately 0.1%, or 6.1%, if the financial commitments of the Beijing and Chengdu Projects are fully taken into account.

We have also reviewed the gearing ratios of the following listed companies which are of similar size to the Company and whose principal businesses are similar to the Company, i.e. property development and property related investment in the PRC (the "Comparable Companies").

Comparable Companies	Bloomberg Code	Gearing Ratio*
China Overseas Land & Investment Limited	688	69.8%
Beijing Capital Land Limited	2868	162.2%
Beijing North Star Company Limited	588	16.9%
Shenzhen Investment Limited	604	66.4%
Average		78.8%

\* calculated based on the Comparable Companies' latest annual report

Source: Bloomberg

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We note that the gearing ratio of the Group, following the payment, of approximately 0.1% or 6.1% is well below the range of the gearing ratios of the Comparable Companies of approximately 16.9% to 162.2% and the average of approximately 78.8%.

Given the funding will not be a one-off contribution and the Group is required to contribute in accordance with the demolition work progress, and the Group will finance part of the payment by bank borrowings, we are of the view that the Group has sufficient funding sources to cover the payment as and when required, and the increase in gearing ratio is acceptable.

### 4.2 Working Capital

Based on the Company's latest annual report as at 30 June 2005, we note that the current ratio of the Group is approximately 3.17 times, being the total current assets of approximately HK\$11,255.39 million divided by total current liability of approximately HK\$3,547.90 million. Upon the settlement of the payment, we note that the Group's current ratio will decline to approximately 3.00 times or 2.60 times if the financial commitments of the Beijing and Chengdu Projects are fully taken into account, representing a decrease of approximately 5% and 18% respectively.

<b>Comparable Companies</b>	<b>Bloomberg Code</b>	<b>Current Ratio*</b>
China Overseas Land & Investment Limited	688	2.55x
Beijing Capital Land Limited	2868	1.96x
Beijing North Star Company Limited	588	1.49x
Shenzhen Investment Limited	604	1.31x
Average		1.83x

\* *calculated based on the Comparable Companies' latest annual report*

Source: Bloomberg

We note that the current ratios of the Comparable Companies range from approximately 1.31 to 2.55 times with an average of approximately 1.83 times. Following the payment, the current ratio of the Group of approximately 3.00 times or 2.60 times is above the top end of the range and the average of the Comparable Companies.

Given that (i) the payment is based upon the pro-rata percentage of equity interest in the Hunan Success, and will be paid in stages; (ii) the Group will have an opportunity to participate in a mixed development which is in close proximity to the city centre of Changsha; (iii) notwithstanding the current ratio of the Group following the payment would decrease to approximately 3.00 times or 2.60 times, if the financial commitments of the Beijing and Chengdu Projects are fully taken into

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account, it is still above the top end of the range and the average of the current ratios of the Comparable Companies; (iv) notwithstanding the gearing ratio of the Group following the payment would increase to approximately 0.1% or 6.1% if the financial commitments of the Beijing and Chengdu Projects are fully taken into account, it is still below the lower end of the range and the average of the gearing ratios of the Comparable Companies; and (v) the Group has sufficient cash flow to cover the payment, we are of the view that the payment is fair and reasonable in so far as the Company and the Independent Shareholders are concerned.

### OVERALL RECOMMENDATION

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

Yours faithfully,

For and on behalf of

**Commerzbank AG Hong Kong Branch**

**Harald W. A. Vogt**

*General Manager*

**Helen Ho**

*Head of Corporate Finance –  
M&A Advisory*

**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 in this circular misleading.

**DISCLOSURE OF INTERESTS****Directors and chief executives of the Company**

As at Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which were required 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 any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, were as follows:

**(I) Interests and short positions in the Shares, underlying Shares and debentures of the Company****(a) Long position in issued Shares**

	Number of Shares				Percentage to the issued share capital as at the Latest Practicable Date
	Personal interests	Family interests	Corporates interests	Total	
Dr. Cheng Kar-shun, Henry	–	12,500,000	52,271,200 <i>(note 1)</i>	64,771,200	1.69
Mr. Doo Wai-hoi, William	8,750,000	–	51,957,200 <i>(note 2)</i>	60,707,200	1.59
Mr. Leung Chi-kin, Stewart	500,000	–	–	500,000	0.01
Mr. Chow Yu-chun, Alexander	6,250,000	–	–	6,250,000	0.16
Mr. Chow Kwai-cheung	650,126	–	–	650,126	0.02
Mr. Fong Shing-kwong, Michael	1,600,000	–	–	1,600,000	0.04

Notes:

1. These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar-shun, Henry.
2. These shares are beneficially owned by 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 26 November 2002, share options were granted to the undermentioned Director which entitled her to subscribe for Shares and accordingly she is regarded as interested in the underlying Shares. Details of the share options held by her as at the Latest Practicable Date are as follows:–

Name of Director	Date of grant	Exercisable period	Number of share options	Exercise price per share
Ngan Man-ying, Lynda	14 July 2005	15 August 2006 to 14 August 2007	100,000	HK\$2.300

**(II) Interest 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**

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests		
<b>New World Development Company Limited</b> (Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	–	300,000	–	300,000	0.01
Mr. Leung Chi-kin, Stewart	32,553	–	–	32,553	0.001
Mr. Chow Kwai-cheung	44,527	–	–	44,527	0.001

	Number of shares/ amount of registered capital				Percentage to the relevant issued/ registered capital as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests	Total	
<b>NWS Holdings Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-shun, Henry	3,179,199	587,000	8,000,000 <i>(note 1)</i>	11,766,199	0.61
Mr. Doo Wai-hoi, William	2,006,566	–	3,130,000 <i>(note 2)</i>	5,136,566	0.27
Mr. Cheng Kar-shing, Peter	180,308	–	2,659,700 <i>(note 3)</i>	2,840,008	0.15
Mr. Leung Chi-kin, Stewart	3,526,630	–	84,607 <i>(note 4)</i>	3,611,237	0.19
Mr. Chow Kwai-cheung	540,000	–	–	540,000	0.03
Mr. Chow Yu-chun, Alexander	2,404,761	–	–	2,404,761	0.13
Mr. Fong Shing-kwong, Michael	2,356,051	–	–	2,356,051	0.12
Mr. Cheng Wai-chee, Christopher	688,091	–	–	688,091	0.04
<b>Dragon Fortune Limited</b>					
(Ordinary shares of US\$1.00 each)					
Mr. Cheng Kar-shing, Peter	–	–	15,869 <i>(note 5)</i>	15,869	27.41
<b>Faith Yard Property Limited</b>					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	–	–	1 <i>(note 2)</i>	1	50.00
<b>Fortune Star Worldwide Limited</b>					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	–	–	60 <i>(note 2)</i>	60	60.00



	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests		
<b>Fung Seng Estate</b>					
<b>Development (Shanghai)</b>					
<b>Co., Ltd.</b>					
(Registered capital in US\$)					
Mr. Doo Wai-hoi, William	-	-	3,000,000 <i>(note 6)</i>	3,000,000	30.00
<b>Grand Make International</b>					
<b>Limited</b>					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	-	-	10 <i>(note 2)</i>	10	10.00
<b>Guangzhou Ronghe Real</b>					
<b>Estate Co., Ltd.</b>					
(Registered capital in RMB)					
Mr. Fu Sze-shing	-	-	4,666,500 <i>(note 7)</i>	4,666,500	50.00
<b>Master Services Limited</b>					
(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
<b>Ramada Property Ltd.</b>					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai-hoi, William	-	-	200 <i>(note 2)</i>	200	20.00
<b>Shanghai Ju Yi Real Estate</b>					
<b>Development Co., Ltd.</b>					
(Registered capital in RMB)					
Mr. Doo Wai-hoi, William	-	-	105,000,000 <i>(note 6)</i>	105,000,000	30.00

	Number of shares/ amount of registered capital			Total	Percentage to the relevant issued/ registered capital as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests		
<b>Shanghai Trio Property Development Co. Ltd.</b> (Registered capital in US\$)					
Mr. Doo Wai-hoi, William	–	–	28,350,000 <i>(note 8)</i>	28,350,000	52.50
<b>Sun City Holdings Limited</b> (Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-shing, Peter	–	80,000	3,570,000 <i>(note 9)</i>	3,650,000	45.63
<b>Sun Legend Investments Limited</b> (Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-shing, Peter	–	–	500 <i>(note 10)</i>	500	50.00
<b>YE Holdings Limited</b> (Ordinary shares of HK\$1.00 each)					
Mr. Leung Chi-kin, Stewart	37,500	–	–	37,500	1.50
<b>Zhaoqing New World Property Development Limited</b> (Registered capital in US\$)					
Mr. Doo Wai-hoi, William	–	–	8,250,000 <i>(note 11)</i>	8,250,000	60.00
<b>Zhaoqing New World Property Management Limited</b> (Registered capital in HK\$)					
Mr. Doo Wai-hoi, William	–	–	300,000 <i>(note 11)</i>	300,000	60.00

*Notes:*

1. These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar-shun, Henry.
2. These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai-hoi, William.
3. These shares are beneficially owned by a company wholly-owned by Mr. Cheng Kar-shing, Peter.
4. These shares are beneficially owned by a company of which Mr. Leung Chi-kin, Stewart has a direct interest of 55%.
5. 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.
6. These represent the participating interests held by a company wholly-owned by Mr. Doo Wai-hoi, William.
7. The interest is beneficially owned by a company of which Mr. Fu Sze-shing has 50% interest.
8. These include 50% direct interests and 2.5% participating interests in the registered capital of Shanghai Trio Property Development Co. Ltd. being held by companies wholly-owned by Mr. Doo Wai-hoi, William.
9. These shares are held by a company of which Mr. Cheng Kar-shing, Peter owns an indirect interest of 48.18%.
10. 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.
11. Mr. Doo Wai-hoi, William is deemed to be interested in the registered capitals of these companies by virtue of his interest in Fortune Star Worldwide Limited, 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) *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 them as at the Latest Practicable Date are as follows:–

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

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

(ii) *NWS Holdings Limited*

Under the share option scheme 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	Exercisable period	Number of share options	Exercise price per share
Mr. Leung Chi-kin, Stewart	21 July 2003	(note)	68,820	HK\$3.711
Mr. Chow Yu-chun, Alexander	21 July 2003	(note)	134,943	HK\$3.711

*Notes:* Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 to 20 July 2008, respectively.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

### (III) 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 business 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 business 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
	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

Name of Director	Name of entity which business 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. 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
Mr. Chow Kwai- cheung	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
	增城永裕房地產有限公司	Property development in Guangzhou	Director
Mr. Chow Yu-chun, Alexander	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
	Guangzhou Metropolitan Properties Co., Ltd.	Property development in Guangzhou	Director

Name of Director	Name of entity which business 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 Yu-chun, Alexander	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
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
Ms. Ngan Man-ying, Lynda	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

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.

#### (IV) 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 2005, 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.

As at the Latest Practicable Date, the following Directors are also directors of the following companies, each of which has an interest or short position in the Shares and underlying Shares 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:

<b>Name of Director</b>	<b>Name of substantial shareholder</b>
Dr. Cheng Kar-shun, Henry	Cheng Yu Tung Family (Holdings) Limited Centennial Success Limited Chow Tai Fook Enterprises Limited NWD Easywin Enterprises Corporation Limited
Mr. Cheng Kar-shing, Peter	Cheng Yu Tung Family (Holdings) Limited Centennial Success Limited Chow Tai Fook Enterprises Limited NWD
Mr. Leung Chi-kin, Stewart	NWD
Mr. Chow Kwai-cheung	NWD
Mr. Chow Yu-chun, Alexander	Easywin Enterprises Corporation Limited
Mr. Lee Luen-wai, John	NWD



## Substantial shareholders of the Group

- (a) As at Latest Practicable Date, so far as the Directors are aware, each of the following persons, not being a Director or chief executive of the Company, had an interest in the Shares which falls to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

*Long positions in issued Shares*

Name	Number of Shares		Number of Shares comprised in derivatives (note 4)		Total	Percentage to the issued share capital of the Company
	Beneficial interests	Corporate Interests	Beneficial interests	Corporate Interests		
Cheng Yu Tung Family (Holdings) Limited ("CYTF") (note 1)	-	2,714,858,780	-	262,000,000	2,976,858,780	77.81
Centennial Success Limited ("CSL") (note 1)	-	2,714,858,780	-	262,000,000	2,976,858,780	77.81
Chow Tai Fook Enterprises Limited ("CTF") (note 2)	-	2,714,858,780	-	262,000,000	2,976,858,780	77.81
NWD (note 3)	2,537,632,731	177,226,049	-	262,000,000	2,976,858,780	77.81
Easywin Enterprises Corporation Limited ("Easywin")	113,351,879	-	262,000,000	-	375,351,879	9.81

*Notes:*

1. CYTF holds 51% interest in CSL which in turn holds the entire interests in CTF. Therefore, CYTF and CSL are deemed to have interests in the Shares in which CTF is deemed to be interested by virtue of its interests in NWD as mentioned in note (2) below.
2. CTF 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.
3. The number of Shares held under the corporate interests of NWD includes 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. As NWD holds 100% interest in Easywin, it is also deemed to have an interest in the Shares held by Easywin.
4. Pursuant to certain option agreements all dated 30 May 2005, Easywin granted put options in respect of 262,000,000 Shares 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 Directors or chief executives 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:

<b>Name of substantial shareholder</b>	<b>Name of subsidiary</b>	<b>Number of shares/amount of equity interest held</b>
Dalian Commercial Network Construction and Development Company	Dalian New World Plaza International Co., Ltd.	RMB6,960,000 (12% of the equity interest)
Hainan Zhonghong Investments Company Limited	Changsha Xianxianghai Housing Development Co., Ltd.	RMB25,000,000 (20% of the equity interest)
Huamei Wealth (Beijing) International Property Investment Co., Ltd.	Beijing Dongfang Huamei Real Estate Development Co., Ltd.	RMB12,500,000 (25% 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)

Name of substantial shareholder	Name of subsidiary	Number of shares/amount of equity interest held
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% ( <i>note</i> )
佛山市祥福房地產開發有限公司	Foshan Country Club Real Estate Development Limited	10% ( <i>note</i> )
濟南陽光置業有限公司	Jinan New World Sunshine Development Co., Ltd.	USD8,094,600 (27% of the equity interest)
上海豐收投資有限公司	濟南匯泉新世界置業有限公司	RMB6,000,000 (30% of the equity interest)

*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.

## SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

## NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 30 June 2005 (being the date to which the latest published audited financial statements of the Group were made up).

**EXPERT**

- (a) The following sets out the qualifications of the expert who has been named in this circular or has given its opinion or advice as contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Commerzbank	(acting through its Hong Kong branch) a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and an authorised financial institution under the SFO to carry out 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 of the SFO

- (b) Commerzbank does not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Commerzbank does not have any interest, direct or indirect, in any assets which have been 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 since 30 June 2005, the date to which the latest published audited financial statements of the Company were made up.
- (d) Commerzbank has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (e) The letter and recommendation given by Commerzbank are given as of the date of this circular for incorporation herein.

**LITIGATION**

No member of the Group is at present engaged in any litigation or arbitration of material importance to the Group and no litigation or claim of material importance to the Group is known to the Directors or the Company to be pending or threatened by or against any member of the Group.

**MISCELLANEOUS**

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

**DOCUMENT AVAILABLE FOR INSPECTION**

A copy of the Equity Transfer Agreement is available for inspection at the principal place of business in Hong Kong of the Company at 9/F., New World Tower 1, 18 Queen's Road Central, Hong Kong during normal business hours from the date of this circular up to and including 14 June 2006.